



Royal Bank of Scotland Group PLC Ord 25p - Chairman's Statement

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THE ROYAL BANK OF SCOTLAND GROUP PLC - GENERAL MEETING STATEMENT

14 May 2008

The Meeting will deal with the proposed Resolutions as outlined in the Notice of the Meeting issued to Shareholders dated 25 April 2008.

The following is an extract from the speech to be made by Sir Tom McKillop, Chairman, at the meeting.

"As you will have seen from our announcement last month, the Board has resolved to take decisive action to rebase our Company's capital ratios through a series of measures whose central element is a fully underwritten rights issue to raise £12 billion. The business of today's meeting is to consider and seek your approval for two resolutions relating to these capital plans."

"Before we get onto the resolutions themselves, I would like to take you through the thinking behind this fundamental shift in RBS's financial strategy."

"In summary, our view is that the world has changed. The further deterioration we have seen in credit markets this year; the examples of quite extreme stress we have seen in some of our financial counterparties; the worsening of the economic outlook - all these factors have brought us to the conclusion that we needed to carry more capital in our business than we have chosen to do in recent years, when the economic environment was more stable."

"We have therefore raised our target range for Tier 1 capital to between 7.5% and 8.5%. We also believe that in this less certain business climate it is appropriate to attach greater weight to the narrower measure of Core Tier 1 capital, and have therefore set a new target for this ratio to exceed 6%."

"Once we had reached that decision, it was clear that the best way of achieving these new targets without delay was through a rights issue. The first resolution we will be voting on today will enable us to carry out this rights issue, by authorising the creation of the new shares involved and by authorising the Directors to allot those shares as part of the rights issue."

"The Board believed that it was important to take a prudent view of the potential for further write-downs on our credit market exposures, so we have carried out a thorough assessment of these, and have currently estimated for our capital planning purposes that the effect on our capital of write-downs could be £4.3 billion net of tax, or £5.9 billion before tax."

"Many financial institutions have been affected by such write-downs on structured credit assets. Nevertheless, we take the lessons that we have learnt from this experience very seriously and have discontinued some of these activities. We have also taken steps to strengthen the control environment in our Global Banking & Markets division."

"As part of our capital planning exercise we also assessed the potential for realising capital gains by selling, in whole or in part, a number of assets. Among the assets we reviewed is RBS Insurance, which has been very much part of the family for many years and remains an excellent business, but is not central to the very strong banking franchises we have now built. Our capital plans assume that whole or partial disposals of this kind will contribute approximately £4 billion to our capital this year, almost offsetting the write-downs. Rest assured that we are determined to achieve full and fair value for any disposals we may make."

"Taking all of these elements together, we expect to generate £11.7 billion of net new capital and to have achieved our new target capital ratios by the end of 2008."

"I would like to say a few more words about our dividend, as I know from the letters I have received that many of you have concerns on this point, and I am well aware that for many of you our dividends represent an important element in your budgeting."

"The Board believes that it would be prudent to issue new ordinary shares instead of paying the 2008 interim dividend, and the second resolution before the meeting today incorporates the measures necessary to accomplish that. We believe that, in order to accelerate the strengthening of our capital base, issuing new shares instead of an interim dividend is the most sensible course for us to follow. Clearly, if you should wish to realise cash you are free to sell these shares in the market."

"The final dividend for 2007, which was approved at the Company's Annual General Meeting last month, will be paid in cash, and we have brought the date for this forward to the 23rd of May, so shareholders will receive the cash from this dividend before the end of the rights issue offer period on the 6th of June. You may, therefore, if you wish to do so, use these amounts towards taking up your rights."

"It is our current intention that the 2008 final dividend, which will be voted on at next year's Annual General Meeting, will be paid in cash. I should point out, however, that, as discussed at greater length in the prospectus, the issuing of new shares will lead to a reduction in dividend per share."

"For the future, the Board believes that the Group's strength and diversity mean that the 2007 dividend payout ratio of around 45% of earnings remains sustainable in the medium term. Whilst the Board must take each dividend decision in the light of the circumstances prevailing at the time, we would expect in future years to continue to pay approximately that proportion of the Group's earnings as dividends."

"Looking ahead, RBS is now well-placed to generate growth from its businesses, and our ability to deliver on this potential will be the crucial test of our organisation. RBS has always prided itself on delivery - we have successfully achieved this in the past, and I and the leadership team are determined that we will not fall short this time."

"With a stronger capital base we will be better protected against an economic environment that remains uncertain, and will be better positioned to maintain the momentum in our core businesses. And I am confident that we will be able to maintain this momentum; although this environment is not without risk, those risks are now being rewarded with a greater premium than we have seen for some time, and we have been able to begin to rebuild margins in a number of businesses."

"And of course, we must deliver the benefits from the ABN AMRO integration - benefits that we now expect to total almost €2.3 billion a year, a third greater than our original expectation. Our management remains firmly focused on this task."

"We are also extending our successful Manufacturing model globally, and as we roll this out across the Group we are confident we can take advantage of our greater scale and achieve significant improvements in efficiency throughout RBS."

"But more than this, we have taken a huge step in the development of the RBS Group, building a global banking platform with all the attributes necessary to achieve good, sustainable growth."

"First and foremost, RBS is now present in all the countries that contribute most to global growth, not just in our traditional markets in the UK and the US but also across Europe, the Middle East and Asia."

"But we have also greatly enhanced our position in these key respects:

- We have enhanced our diversification, both by product and by geography through the ABN acquisition - and we are grateful for your support for this last year.
- We have enhanced our customer franchises around the world, with outstanding retail customer bases in the UK and the US and leading corporate customer franchises in all of the major regions.
- We have enhanced our product set, with competitive and attractive products that our customers want to buy.
- We have a full range of distribution channels through which to sell these products, and this range has been enhanced in particular by ABN AMRO's world class payments and cash management platform.
- And finally, we have outstanding people working for the Group, here and around the world, and it is a great delight as Chairman to go around the Group and see the passion of our employees. As I travel to some of our newer businesses in Asia and the Middle East I have found exactly the same commitment from our people as I see here in the UK, and I have every confidence in their ability to deliver on the opportunities before us."

"So we have built the platform we need, and with our new financial strategy embedded we will be better placed than ever to capitalise on

that platform. I am conscious that in raising our capital targets we are asking our shareholders to make a very significant commitment in support of that strategy, and we are grateful for your support. It is incumbent upon me and upon the executive team to deliver, and that is what we intend to do. I believe we have the franchises, the products and the people to Make it happen."

Forward Looking Statements

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