THE ROYAL BANK OF SCOTLAND plc

RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2008

The Royal Bank of Scotland plc (the ‘Royal Bank’ or the ‘Group’) is a wholly-owned subsidiary of The Royal Bank of Scotland Group plc (the 'parent company' or the 'RBS Group').

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FINANCIAL REVIEW

Profit
Profit before tax was £988 million compared with £4,721 million in the first half of 2007. The results have been adversely affected by credit market write-downs of £3,997 million (see Note 2 on page 8). Adjusting for the credit market write-downs, operating profit was £4,985 million.

Total income
Total income was down 26% to £8,397 million, principally due to the credit market write-downs. Excluding credit market write-downs, total income was up 7% to £12,394 million.

Net interest income increased by £1,079 million or 21% to £6,329 million and represents 75% of total income (2007 - 46%).

Non-interest income decreased to £2,068 million principally due to the credit market write-downs of £3,997 million partially offset by a movement in the fair value of own debt of £513 million, and represents 25% of total income (2007 - 54%).

Operating expenses
Operating expenses rose by 6% to £6,162 million.

Cost:income ratio
The Group's cost:income ratio was 73.4% compared with 51.0% in the first half of 2007. Excluding the effect of the credit market write-downs, the cost:income ratio was 49.7% compared with 50.4% in the first half of 2007.

Impairment losses
Impairment losses were £1,247 million, compared with £871 million in 2007.

Taxation
The effective tax rate for the first half of 2008 was 23.5% compared with 26.1% in the first half of 2007.

Capital
In June 2008, the company issued 1 billion new ordinary shares of £1 each to the parent company at £10 per share.

RESTATEMENTS

In February 2008, the Group changed its organisational structure to align with its parent company. The new structure is aimed at recognising the RBS Group's presence in over 50 countries and facilitating the integration and operation of its expanded footprint, following the parent's acquisition of ABN AMRO. This new organisational structure is expected to give the Group the appropriate framework for managing the enlarged Group in a way that fully capitalises on the enhanced range of attractive growth opportunities now available to it.

Divisional results for 2007 have been restated to reflect the new organisational structure detailed above. These changes do not affect the Group’s results.

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2008 (unaudited)

	First half 2008 £m	First half 2007 £m	Full year 2007 (Audited) £m
Interest receivable	**15,148**	13,254	28,310
Interest payable	**8,819**	8,004	17,194
Net interest income	**6,329**	5,250	11,116
Fees and commissions receivable	**3,686**	3,564	7,519
Fees and commissions payable	**(795)**	(713)	(1,496)
(Loss)/income from trading activities	**(1,745)**	1,857	1,142
Other operating income	**922**	1,463	4,026
Non-interest income	**2,068**	6,171	11,191
Total income	**8,397**	11,421	22,307
Operating expenses	**6,162**	5,829	11,287
Profit before impairment losses	**2,235**	5,592	11,020
Impairment losses	**1,247**	871	1,865
Operating profit before tax	**988**	4,721	9,155
Tax	**232**	1,232	1,903
Profit for the period	**756**	3,489	7,252
Minority interests	**125**	28	53
Preference dividends	**249**	161	331
Profit attributable to ordinary shareholders	**382**	3,300	6,868

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2008 (unaudited)

	30 June 2008	31 December 2007 (Audited)	30 June 2007
	£m	£m	£m
Assets			
Cash and balances at central banks	**9,903**	5,559	4,080
Treasury and other eligible bills	**17,895**	16,518	8,015
Loans and advances to banks	**63,762**	96,346	87,926
Loans and advances to customers	**557,762**	551,449	504,175
Debt securities	**136,120**	147,914	135,962
Equity shares	**4,101**	5,509	5,660
Settlement balances	**18,219**	5,326	21,372
Derivatives	**350,588**	249,905	183,350
Intangible assets	**18,048**	17,761	17,723
Property, plant and equipment	**14,111**	13,025	14,806
Prepayments, accrued income and other assets	**9,031**	5,961	4,764
Assets of disposal groups	**3,265**	395	-
Total assets	**1,202,805**	1,115,668	987,833
Liabilities			
Deposits by banks	**128,299**	151,508	139,084
Customer accounts	**432,920**	442,982	419,015
Debt securities in issue	**125,507**	130,132	91,947
Settlement balances and short positions	**63,781**	53,849	71,969
Derivatives	**341,877**	247,002	183,471
Accruals, deferred income and other liabilities	**14,481**	12,501	13,899
Deferred taxation	**1,997**	2,063	1,572
Subordinated liabilities	**32,518**	27,796	27,213
Liabilities of disposal groups	**2,409**	-	-
Total liabilities	**1,143,789**	1,067,833	948,170
Equity:			
Minority interests	**984**	152	357
Shareholders' equity			
Called up share capital	**6,483**	5,483	5,482
Reserves	**51,549**	42,200	33,824
Total equity	**59,016**	47,835	39,663
Total liabilities and equity	**1,202,805**	1,115,668	987,833

OVERVIEW OF CONDENSED CONSOLIDATED BALANCE SHEET

Total assets of £1,202.8 billion at 30 June 2008 were up £87.1 billion, 8%, compared with 31 December 2007.

Cash and balances at central banks were up £4.3 billion, 78% to £9.9 billion reflecting increased placings with the Bank of England.

Treasury and other eligible bills increased by £1.4 billion, 8% to £17.9 billion, due to higher trading activity and liquidity management.

Loans and advances to banks decreased by £32.6 billion, 34%, to £63.8 billion. Reverse repurchase agreements and stock borrowing ("reverse repos") were down by £31.9 billion, 47% to £35.7 billion. Excluding reverse repos, bank placings decreased by £0.7 billion, 2%, to £28.1 billion.

Loans and advances to customers were up £6.3 billion, 1%, to £557.8 billion. Within this, reverse repos decreased by 37%, £29.5 billion to £49.6 billion. Excluding reverse repos, lending rose by £35.8 billion, 8% to £508.2 billion reflecting organic growth.

Debt securities decreased by £11.8 billion, 8%, to £136.1 billion and equity shares decreased by £1.4 billion, 26%, to £4.1 billion principally due to lower holdings in Global Banking & Markets.

Settlement balances rose by £12.9 billion to £18.2 billion.

Movements in the value of derivatives, assets and liabilities, primarily reflect changes in interest and exchange rates, together with growth in trading volumes.

Property, plant and equipment increased by £1.1 billion, 8% to £14.1 billion mainly due to growth in operating lease assets and the effects of exchange rate movements.

Prepayments, accrued income and other assets were up £3.1 billion, 52% to £9.0 billion.

Assets and liabilities of disposal groups increased largely due to the recently announced proposed disposals of Tesco Personal Finance and the European Consumer Finance businesses in Germany and Austria (which completed on 1 July 2008).

Deposits by banks declined by £23.2 billion, 15% to £128.3 billion. This reflected decreased repurchase agreements and stock lending ("repos"), down £19.1 billion, 25% to £56.1 billion combined with lower inter-bank deposits, down £4.1 billion, 5% to £72.2 billion.

Customer accounts were down £10.1 billion, 2% to £432.9 billion. Within this, repos decreased £14.0 billion, 19% to £61.0 billion. Excluding repos, deposits rose by £3.9 billion, 1%, to £371.9 billion.

Settlement balances and short positions were up £9.9 billion, 18%, to £63.8 billion.

Accruals, deferred income and other liabilities increased £2.0 billion, 16%, to £14.5 billion.

Subordinated liabilities were up £4.7 billion, 17% to £32.5 billion resulting from the issue of £1.7 billion dated loan capital, £2.6 billion undated loan capital and the effect of exchange rate and other adjustments, £0.4 billion.

Equity minority interests increased by £0.8 billion to £1.0 billion, primarily due to the £0.8 billion equity raised as part of the Sempra joint venture.

Shareholders' equity increased by £10.3 billion, 22% to £58.0 billion. Proceeds of £10.0 billion from the issue of new ordinary shares to the holding company, together with the attributable profit for the period of £0.6 billion and exchange rate movements of £0.2 billion were partially offset by a £0.2 billion decrease in available-for-sale reserves, net of tax, a £0.1 billion reduction in cash flow hedging reserve and the payment of £0.2 billion preference dividends.

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE HALF YEAR ENDED 30 JUNE 2008 (unaudited)

	First half 2008	First half 2007	Full year 2007 (Audited)
	£m	£m	£m
Net movements in reserves:			
Available-for-sale	**(275)**	(133)	46
Cash flow hedges	**(146)**	(126)	(549)
Currency translation	**183**	(227)	9
Actuarial gains on defined benefit plans	**-**	-	2,153
Tax on items recognised direct in equity	**175**	39	(449)
Net (expense)/income recognised direct in equity	**(63)**	(447)	1,210
Profit for the period	**756**	3,489	7,252
Total recognised income and expense for the period	**693**	3,042	8,462
Attributable to:			
Equity shareholders	**582**	3,024	8,420
Minority interests	**111**	18	42
	693	3,042	8,462

THE ROYAL BANK OF SCOTLAND plc

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2008 (unaudited)

	First half 2008 £m	First half 2007 £m	Full year 2007 £m (Audited)
Operating activities			
Operating profit before tax	**988**	4,721	9,155
Adjustments for non-cash items	**(411)**	(889)	(137)
Net cash inflow from trading activities	**577**	3,832	9,018
Changes in operating assets and liabilities	**(35,246)**	3,811	6,869
Income taxes paid	**(647)**	(1,012)	(1,802)
Net cash flows from operating activities	**(35,316)**	6,631	14,085
Net cash flows from investing activities	**(6,814)**	1,414	(1,105)
Net cash flows from financing activities	**13,970**	(2,292)	(1,080)
Effects of exchange rate changes on cash and cash equivalents	**2,774**	(356)	2,714
Net (decrease)/increase in cash and cash equivalents	**(25,386)**	5,397	14,614
Cash and cash equivalents at beginning of period	**84,761**	70,147	70,147
Cash and cash equivalents at end of period	**59,375**	75,544	84,761

NOTES

1. **Accounting policies**
The annual accounts of the Group are prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (together "IFRS") as adopted by the European Union ("EU"). It also complies with IFRS as issued by the IASB. There have been no significant changes to the Group's principal accounting policies as set out on pages 30 to 36 of the 2007 Report and Accounts. The Group adopted IFRS 8 'Operating Segments' with effect from 1 January 2008. These interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting'.

2. **Credit market exposures**
The write-downs before tax included in the results for the six months ended 30 June 2008 are as follows;

	30 June 2008			31 December 2007	
	Net exposure (1) £m	**Write-downs before tax £m**	**Average price %**	Net exposure (1) £m	Average price %
Asset-backed CDOs					
High grade	**862**	**245**	**70**	1,099	90
Mezzanine	**361**	**902**	**20**	1,253	70
	1,223	**1,147**	**40**	2,352	78
Monoline exposures	**1,353**	**1,096**	**n/a**	1,823	n/a
US residential mortgages					
Sub-prime (2)	**167**	**170**	**35**	1,214	72
Alt-A	**652**	**750**	**39**	2,086	83
Other non-agency	**843**	**18**	**86**	794	94
	1,662	**938**	**59**	4,094	81
US commercial mortgages	**1,478**	**94**	**87**	1,809	97
Leveraged finance (3)	**8,382**	**823**	**90**	12,701	95
CLOs	**1,051**	**113**	**84**	1,386	93
		4,211			
CDS hedging		**(214)**			
Total net of CDS hedging		**3,997**			

Notes:
(1) Net of hedges and write-downs
(2) Includes investment grade, non-investment grade and residuals
(3) Includes commitments to lend

NOTES (continued)

3. Loan impairment provisions

Operating profit is stated after charging loan impairment losses of £1,230 million (first half 2007 - £851 million; full year 2007 - £1,843 million). The balance sheet loan impairment provisions increased in the half year ended 30 June 2008 from £4,235 million to £4,328 million, and the movements thereon were:

	First half 2008 £m	First half 2007 £m	Full year 2007 (Audited) £m
At beginning of period	**4,235**	3,929	3,929
Currency translation and other adjustments	**32**	(6)	30
Acquisitions	**-**	7	6
Disposals	**(40)**	-	-
Transfers relating to disposal groups	**(147)**	-	-
Amounts written-off	**(1,014)**	(762)	(1,652)
Recoveries of amounts previously written-off	**114**	126	245
Charge to the income statement	**1,230**	851	1,843
Unwind of discount	**(82)**	(83)	(166)
At end of period	**4,328**	4,062	4,235

The provision at 30 June 2008 includes £2 million (31 December 2007 - £2 million; 30 June 2007 - £2 million), in respect of loans and advances to banks.

Total impairment losses charged to the income statement comprise:

	First half 2008 £m	First half 2007 £m	Full year 2007 (Audited) £m
Loans and receivables and finance leases	**1,230**	851	1,843
Available-for-sale securities	**17**	20	22
Impairment losses	**1,247**	871	1,865

4. Taxation

The actual tax charge differs from the tax charge computed by applying the standard UK corporation tax rate of 28.5% (2007 - 30%) as follows:

	First half 2008 £m	First half 2007 £m	Full year 2007 (Audited) £m
Profit before tax	**988**	4,721	9,155
Expected tax charge at 28.5% (2007 – 30%)	**282**	1,416	2,747
Non-deductible items	**116**	78	259
Non-taxable items	**(60)**	(79)	(568)
Taxable foreign exchange movements	**3**	3	4
Foreign profits taxed at other rates	**4**	25	(13)
Reduction in deferred tax liability following change in the rate of UK Corporation Tax	**-**	(117)	(156)
Other	**5**	(6)	(9)
Adjustments in respect of prior periods	**(118)**	(88)	(361)
Actual tax charge	**232**	1,232	1,903
Overseas tax included above	**287**	560	568

NOTES (continued)

5. Segmental analysis

Total revenue	External	Inter segment	Total
	£m	£m	£m
Half year ended 30 June 2008			
Global Markets			
- Global Banking & Markets	**3,035**	**5,360**	**8,395**
- Global Transaction Services	**1,144**	**40**	**1,184**
Regional Markets			
- UK Retail & Commercial Banking	**9,293**	**1,834**	**11,127**
- US Retail & Commercial Banking	**2,322**	**-**	**2,322**
- Europe & Middle East Retail & Commercial Banking	**1,602**	**73**	**1,675**
- Asia Retail & Commercial Banking	**166**	**181**	**347**
Group Manufacturing	**19**	**-**	**19**
Central items	**430**	**4,519**	**4,949**
Elimination of intra-group transactions	**-**	**(12,007)**	**(12,007)**
	18,011	**-**	**18,011**
Half year ended 30 June 2007			
Global Markets			
- Global Banking & Markets	6,396	4,264	10,660
- Global Transaction Services	1,003	36	1,039
Regional Markets			
- UK Retail & Commercial Banking	8,413	1,685	10,098
- US Retail & Commercial Banking	2,619	-	2,619
- Europe & Middle East Retail & Commercial Banking	1,277	43	1,320
- Asia Retail & Commercial Banking	130	158	288
Group Manufacturing	27	-	27
Central items	273	4,123	4,396
Elimination of intra-group transactions	-	(10,309)	(10,309)
	20,138	-	20,138
Year ended 31 December 2007			
Global Markets			
- Global Banking & Markets	11,987	9,501	21,488
- Global Transaction Services	2,095	77	2,172
Regional Markets			
- UK Retail & Commercial Banking	17,456	3,642	21,098
- US Retail & Commercial Banking	5,189	-	5,189
- Europe & Middle East Retail & Commercial Banking	2,841	197	3,038
- Asia Retail & Commercial Banking	283	330	613
Group Manufacturing	43	1	44
Central items	1,103	8,906	10,009
Elimination of intra-group transactions	-	(22,654)	(22,654)
	40,997	-	40,997

NOTES (continued)

5. Segmental analysis (continued)

Operating profit before tax	First half 2008 £m	First half 2007 £m	Full year 2007 (Audited) £m
Global Markets			
- Global Banking & Markets	**(1,543)**	2,143	3,634
- Global Transaction Services	**608**	585	1,203
Total Global Markets	**(935)**	2,728	4,837
Regional Markets			
- UK Retail & Commercial Banking	**3,199**	2,982	6,100
- US Retail & Commercial Banking	**534**	788	1,476
- Europe & Middle East Retail & Commercial Banking	**398**	363	767
- Asia Retail & Commercial Banking	**43**	43	81
Total Regional Markets	**4,174**	4,176	8,424
Group Manufacturing	**(1,814)**	(1,748)	(3,335)
Central items	**(208)**	(345)	(555)
	1,217	4,811	9,371
Amortisation of purchased intangible assets	**(42)**	(43)	(124)
Integration costs	**(187)**	(47)	(92)
	988	4,721	9,155

Total assets	30 June 2008 £m	31 December 2007 £m
Global Markets		
- Global Banking & Markets	**788,496**	725,360
- Global Transaction Services	**10,627**	10,661
Total Global Markets	**799,123**	736,021
Regional Markets		
- UK Retail & Commercial Banking	**241,315**	227,550
- US Retail & Commercial Banking	**79,913**	79,012
- Europe & Middle East Retail & Commercial Banking	**59,303**	56,316
- Asia Retail & Commercial Banking	**4,565**	4,338
Total Regional Markets	**385,096**	367,216
Group Manufacturing	**5,767**	5,520
Central items	**12,819**	6,911
	1,202,805	1,115,668

As noted on page 2, the Group has changed its organisational structure. The divisional results for 2007 have been restated to reflect this new organisational structure.

6. Dividend

	First half 2008 £m	First half 2007 £m	Full year 2007 (Audited) £m
Ordinary dividend paid to holding company	**-**	2,000	2,000

NOTES (continued)

7. Litigation

Proceedings, including consolidated class actions on behalf of former Enron securities holders, have been brought in the United States against a large number of defendants, including the Group, following the collapse of Enron. The claims against the Group could be significant; the class plaintiff's position is that each defendant is responsible for an entire aggregate damage amount less settlements – they have not quantified claimed damages against the Group in particular. The Group considers that it has substantial and credible legal and factual defences to these claims and will continue to defend them vigorously. Recent Supreme Court and Fifth Circuit decisions provide further support for the Group's position. The Group is unable reliably to estimate the liability, if any, that might arise or its effect on the Group's consolidated net assets, its operating results or cash flows in any particular period.

On 27 July 2007, following agreement between the Office of Fair Trading ('OFT'), the Financial Services Authority and all the major UK banks (including the Group), the OFT issued proceedings in a test case against those banks to determine the legal status and enforceability of certain charges relating to unarranged overdrafts. Following a hearing of preliminary issues in January 2008, the High Court concluded that charges relating to unarranged overdrafts are capable of being assessed for fairness. That decision is subject to an appeal that is likely to be heard towards the end of 2008. A second phase of the preliminary issues hearing was heard by the High Court in July 2008 and the Court's decision is awaited. The Group maintains that its charges are fair and enforceable and is defending its position vigorously. It cannot, however, at this stage predict with any certainty the outcome of the test case, which will involve a number of further hearings and possible appeals. The Group is unable reliably to estimate the liability, if any, that may arise or its effect on the Group's consolidated net assets, operating results or cash flows in any particular period.

Members of the Group are engaged in other litigation in the United Kingdom and a number of overseas jurisdictions, including the United States, involving claims by and against them arising in the ordinary course of business. The Group has reviewed these other actual, threatened and known potential claims and proceedings and, after consulting with its legal advisers, does not expect that the outcome of these other claims and proceedings will have a material adverse effect on its consolidated net assets, operating results or cash flows in any particular period.

8. Regulatory enquiries and investigations

In the normal course of business the Group and its subsidiaries co-operate with regulatory authorities in various jurisdictions in their enquiries or investigations into alleged or possible breaches of regulations.

Certain of the Group's subsidiaries have received requests for information from various US governmental agencies and self regulatory organisations including in connection with sub-prime mortgages and securitisations, collateralised debt obligations and synthetic products related to sub-prime mortgages. In particular, during March 2008 RBS Group was advised by the SEC that it had commenced a non public, formal investigation relating to the RBS Group's US sub-prime securities exposure and US residential mortgage exposures. The Group and its subsidiaries are cooperating with these various requests for information and investigations.

NOTES (continued)

9. Analysis of consolidated equity

	First half 2008	First half 2007	Full year 2007 (Audited)
	£m	£m	£m
Called-up share capital			
At beginning of period	**5,483**	5,482	5,482
Shares issued during the period	**1,000**	-	1
At end of period	**6,483**	5,482	5,483
Share premium account			
At beginning of period	**16,175**	12,526	12,526
Shares issued during the period	**9,000**	475	3,649
At end of period	**25,175**	13,001	16,175
Merger reserve			
At beginning and end of period	**10,881**	10,881	10,881
Available-for-sale reserves			
At beginning of period	**(35)**	(65)	(65)
Currency translation adjustments	**-**	6	-
Unrealised (losses)/gains in the period	**(208)**	(28)	511
Realised gains in the period	**(67)**	(105)	(465)
Taxation	**80**	63	(16)
At end of period	**(230)**	(129)	(35)
Cash flow hedging reserve			
At beginning of period	**(511)**	(142)	(142)
Amount recognised in equity during the period	**(238)**	(26)	(408)
Amount transferred to/(from) equity to earnings in the period	**92**	(100)	(141)
Taxation	**43**	24	180
At end of period	**(614)**	(244)	(511)
Foreign exchange reserve			
At beginning of period	**(782)**	(833)	(833)
Retranslation of net assets, net of related hedges	**197**	(223)	20
Taxation	**52**	-	31
At end of period	**(533)**	(1,056)	(782)
Retained earnings			
At beginning of period	**16,472**	10,087	10,087
Profit attributable to ordinary and equity preference shareholders	**631**	3,461	7,199
Ordinary dividends paid	**-**	(2,000)	(2,000)
Equity preference dividends paid	**(249)**	(161)	(331)
Actuarial (losses)/gains recognised in post-retirement benefit schemes, net of tax	**-**	(48)	1,509
Share-based payments, net of tax	**16**	32	8
At end of period	**16,870**	11,371	16,472
Shareholders' equity at end of period	**58,032**	39,306	47,683

NOTES (continued)

9. Analysis of consolidated equity (continued)

	First half 2008	First half 2007	Full year 2007 (Audited)
	£m	£m	£m
Minority interests			
At beginning of period	**152**	396	396
Currency translation adjustments and other movements	**(14)**	(10)	(11)
Profit attributable to minority interests	**125**	28	53
Dividends paid	**(26)**	(16)	(31)
Equity raised	**810**	-	-
Equity withdrawn and disposals	**(63)**	(41)	(255)
At end of period	**984**	357	152
Total equity at end of period	**59,016**	39,663	47,835

10. Contingent liabilities and commitments

	30 June 2008	31 December 2007 (Audited)	30 June 2007
	£m	£m	£m
Contingent liabilities			
Guarantees and assets pledged as collateral security	**12,478**	11,661	10,996
Other contingent liabilities	**12,066**	11,215	9,633
Total	**24,544**	22,876	20,629
Commitments			
Undrawn formal standby facilities, credit lines and other commitments to lend	**262,142**	259,263	262,076
Other commitments	**3,163**	2,491	2,932
Total	**265,305**	261,754	265,008

Additional contingent liabilities arise in the normal course of the Group's business. It is not anticipated that any material loss will arise from these transactions.

11. Related party transactions

Related party transactions in the half year ended 30 June 2008 were similar in nature to those for the year ended 31 December 2007 and were not material. Full details of the Group's related party transactions for the year ended 31 December 2007 are included in the Group's 2007 Annual Report and Accounts.

12. Statutory accounts

Financial information contained in this document does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985 ("the Act"). The statutory accounts for the year ended 31 December 2007 have been filed with the Registrar of Companies and have been reported on by the auditors under section 235 of the Act. The report of the auditors was unqualified and did not contain a statement under section 237(2) or (3) of the Act.

13. Auditors' review

The interim results have been reviewed by the Group's auditors, Deloitte & Touche LLP, and their review report is set out on page 15.

14. Date of approval

The interim results for the half year ended 30 June 2008 were approved by the Board of directors on 2 September 2008.

INDEPENDENT REVIEW REPORT TO THE ROYAL BANK OF SCOTLAND plc

We have been engaged by The Royal Bank of Scotland plc ('the company') to review the condensed financial statements in the half-yearly financial report for the six months ended 30 June 2008 which comprises the condensed consolidated income statement, the condensed consolidated balance sheet, the condensed consolidated statement of recognised income and expense, the condensed consolidated cash flow statement and related notes 1 to 14 (the “condensed financial statements”). We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed financial statements.

This report is made solely to the company in accordance with the International Standard on Review Engagements 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdoms' Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility
Our responsibility is to express to the company a conclusion on the condensed financial statements in the half-yearly financial report based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed financial statements in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditor
2 September 2008

Edinburgh, UK

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties for the Group in the second half of 2008 are:

Credit risk

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of the Group's businesses. The global economy slowed during the first half of 2008 and the outlook for the UK economy has deteriorated as growth reduced sharply and house prices fell. In the US, the labour market has deteriorated and real estate prices continued to fall. As a result, the Group may see adverse changes in the credit quality of its borrowers and counterparties in the second half of 2008 with increasing delinquencies and defaults leading to higher impairment charges.

In 2007 and the first half of 2008, the Group recorded significant write-downs on its credit market positions. The Group continues to have exposure to these markets and as market conditions change the fair value of the Group's instruments could fall further. Furthermore, recent market volatility and illiquidity has made it difficult to value certain of the Group's financial instruments. Valuations in future periods, reflecting prevailing market conditions, may result in significant changes in the fair values of these instruments.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its obligations as they fall due. Credit markets continue to experience a severe reduction in liquidity in the aftermath of events in the US sub-prime residential mortgage market. The Group's liquidity management focuses on maintaining a diverse and appropriate funding strategy for its assets, in controlling the mis-match of maturities and from carefully monitoring its undrawn commitments and contingent liabilities. Further tightening of credit markets could affect the Group's earnings in the second half of 2008.

Market risk

The most significant market risks the Group faces are interest rate, foreign exchange and bond and equity price risks. Changes in interest rate levels, yield curves and spreads in the second half of 2008 may affect the interest rate margin realised between lending and borrowing costs. Changes in currency rates, particularly in the sterling-dollar and sterling-euro exchange rates, affect the value of assets and liabilities denominated in foreign currencies and affect earnings reported by the Group's non-UK subsidiaries, mainly Citizens, RBS Greenwich Capital and Ulster Bank, and may affect income from foreign exchange dealing. The performance of financial markets during the second half of 2008 may cause reductions in the value of the Group's investment and trading portfolios.

Regulatory risk

The Group is subject to financial services laws, regulations, administrative actions and policies in each location in which it operates. Changes during the second half of 2008 in the regulatory and supervisory framework, in particular in the UK and US, could materially affect the Group's business.

Litigation

The outcome of existing and future legal actions, claims against and by the Group and arbitrations could affect the financial performance of the Group in the second half of 2008.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';

- the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

- the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

Sir Tom McKillop Chairman	Sir Fred Goodwin Group Chief Executive	Guy Whittaker Group Finance Director

Board of directors

Chairman
Sir Tom McKillop

Executive directors
Sir Fred Goodwin
Johnny Cameron
Mark Fisher
Gordon Pell
Guy Whittaker

Non-executive directors
Colin Buchan
Jim Currie
Lawrence Fish
Bill Friedrich
Archie Hunter
Charles ‘Bud’ Koch
Janis Kong
Joe MacHale
Sir Steve Robson
Bob Scott
Peter Sutherland

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