



Wednesday 11th June 2008

DAILY COMPANY NOTES — Royal Bank of Scotland See page 2 & 3 for full details

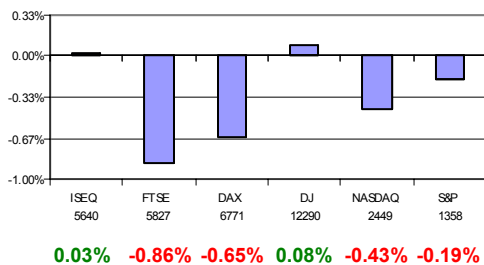
Daily Market Comment

Yesterday's Summary : Despite central bankers continuing to warn against inflation and the Central Statistics Office reporting the largest annual increase in Irish jobless claims since 1967, the ISEQ, outperforming its western European counterparts, managed to creep into positive territory yesterday, finishing 0.03% higher at 5,640.06. Kingspan was among the best performers on the day, with a gain of 6.25% to €6.30, amid its announcement of a share repurchase program. The financials continued their move downward, as AIB lost 0.8% to €11.55, Bank of Ireland fell 2.1% to €6.61, while Anglo Irish Bank shed 1.8% to €7.

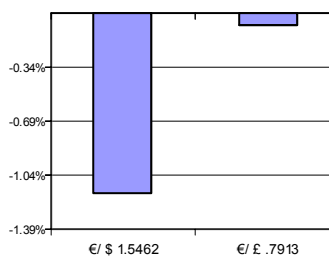
Overnight News : In China, the benchmark Shanghai Composite Index closed down 1.57% at 3,024.24, with sentiment remaining weak following the market's 7.73% tumble yesterday. The Japanese Nikkei climbed 1.2% to end at 14,183.48, after investors picked up export related shares, encouraged by a softer yen. Australia's S&P/ASX 200 ended up 0.6% at 5,467.3.

Breaking News : Irish billionaire Denis O'Brien renewed his attack on the corporate governance at Independent News & Media yesterday, a day before the media group's annual shareholders meeting. The 25% stakeholder referred to the findings of a report that suggested the Independent's board is too large, has too few independent directors and its audit committee is too closely affiliated with management. In response to these comments, Independent released a statement suggesting that the report issued by O'Brien represents another deliberately misleading, malicious and wholly inaccurate assessment of Independent News & Media. The ECB has noted in its latest financial stability review that if the outturns ultimately prove less severe than currently feared, then financial firms that are still holding the financial assets at the heart of the current troubles may see some offsetting valuation gains.

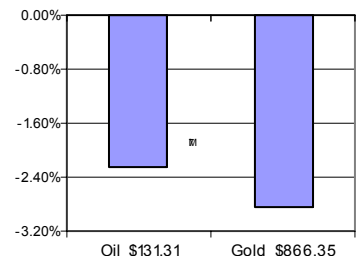
Equity Indices change on day



Currency daily % change



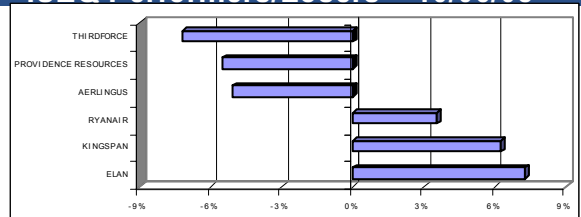
Oil/Gold daily % change



News

- "Tullow Oil selling part of its North sea Gas interests to partner"-(I.T)
- "Central bankers seek to curb inflation as fuel prices soar"-(Irish Times)
- "O'Brien attacks structure of INM board"-IN&M-(Irish Examiner)
- "Kingspan to try buyback scheme"-Kingspan-(Irish Examiner)
- "Tesco feels pinch as sales rise by only 3.5pc"-Tesco-(Irish Independent)

ISEQ Performers/Losers 10/06/08



Market Themes and Movers

Oil, bubble or reality?: In what has become increasingly noticeable in recent times, the current energy climate is being compared to the oil shock of 1973. While a lack of investment in oil exploration has hampered supply growth, the growth in emerging market economies has fueled growing demand. Organizations like the IEA question the ability of suppliers to meet global needs, and on the other hand OPEC maintains that supply is adequate and that price is being manipulated by speculators. One thing is certain though, fund managers are allocating more assets than ever to commodities, oil in particular. Time will tell whether this will be viewed as a prudent allocation of assets or the next financial bubble.

Interest hikes expected: Inflation is a word that strikes fear into the heart of every central banker, and with good cause. In recent weeks, central bankers rhetoric has changed noticeably, no longer highlighting the risks of a global recession, most central bankers are signaling that rate cuts are at an end and the next moves will be upwards. This comes at a time when the global banking system is still on shaky ground. Some economists speculate that Central bankers will be unable to raise rates as the likelihood of a global recession will be greater in coming months, meanwhile financial markets are pricing in 2-3 hikes from ECB, FED and BOE this year.



Dolmen Securities
75 St. Stephen's Green, Dublin 2, Ireland.
45 South Mall, Cork, Ireland
Theatre Court, Mallow St, Limerick, Ireland.

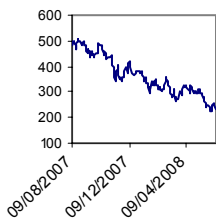
Website : www.dolmenstockbrokers.ie
Tel : +353 1 633 3800/1890 400 300
Tel : +353 21 422 2122
Tel : +353 61 436 500

E-mail: info@dsl.ie
E-mail: cork@dsl.ie
E-mail: Limerick@dsl.ie

Royal Bank of Scotland

FTSE
Bank
Company Profile

The Group's principal activity is providing a range of banking, insurance and other financial services. The Group's operation focuses on such areas as Global Banking & Markets, Corporate Banking, Retail, Wealth Management, Ulster Bank and Citizens. Global Banking & Markets provides a range of debt financing, risk management and investment services to its customers.

Statistics
Price Performance


Fundamental view: This morning, Royal Bank of Scotland (RBS) released its pre-close period trading statement for H1 2008. The statement confirmed that the bank's earnings performance continues to "track the guidance provided in the Interim Management Statement (IMS) of 22nd April 2008". This keeps RBS on track to report a 2008 eps of 40p, growing by 10% to 44p in 2009. Crucially, and unlike Lehman Brothers earlier this week, the group's write-downs on credit market exposures are expected to "remain within the estimates indicated" in the April 2008 IMS. This was for a full year 2008 structured credit write-down of £5.9 bn. Strong reassurance was also provided that despite increased US impairments, principally in a specific retail portfolio, that there has been a "continued reduction in UK personal sector impairment losses". It was also confirmed that the income benefits and cost savings being achieved in relation to the integration of ABN AMRO are "slightly ahead of target". RBS also confirmed that as at 30/06/08 it expects its core Tier 1 capital ratio to be in excess of 5% and in excess of 6% as at 31/12/08.

Next catalyst : With a further £4 bn of Tier 1 capital being raised in the short term from the disposal of non-core assets such as RBS Insurance, progress in relation to same could act a positive share price catalyst in the short term. The fully underwritten rights issue of £12 bn also means that RBS' capital risk is now significantly lower than sector average. The latest £5.9 bn of write-downs taken by RBS for 2008 should mean that this issue is now largely addressed and resolved, with the risk of further major write-downs also significantly lower than sector average. With management indicating that a payout ratio of at least 45% on underlying earnings will be maintained, the risk of 2008 and 2009 dividend per shares of 18p (8% yield) and 20p (8.8% yield) respectively being cut is also lower than sector average. Our current post rights issue 12 month share price target of £4 (77% upside) is based on 9x 2009 eps of 44p, with the shares also paying a dividend yield of 8% for waiting for this upside to be achieved.

Chart view: RBS

Support Primary: 219.50
 Support Secondary: 179.50
 Resistance Primary: 263.50
 Resistance Secondary: 306.00

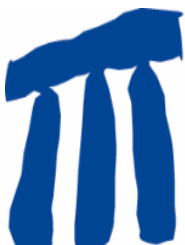
Chart outlook remains negative with long-term downtrend intact. A recent improvement in daily momentum coupled with the size of recent losses suggests that sharp bounces are certainly possible. However, caution is still warranted and a break of the recent 219.50 low would suggest the stock is set to target longer-term support at 179.50. Expect volatility to remain high.

Revenue by Division


- North America 19%
- Europe 34%
- Origin Enterprise 47%

Major Shareholders	%	Peer Group Multiples			
		Company name	P/E 08	P/E 09	EPS Growth 08-09
Legal & General Invnt. Mgt.	5.87%	RBS	5.8	5.3	10.00%
Standard Life Invnt.	3.05%	Barclays	5.6	4.7	19.15%
Barclays Global Invnt. UK	2.67%	Lloyds	7.0	6.4	9.38%
Barclays Global Invnt.	1.98%				
M&G Invnt. Mgt.	1.73%				
Shares Outstanding	16,142.48m				

Share Data	Financial Data	2007	2008e	2009e	
Current Price (p)	PBT (£m)	233.00	9,900	8,330	9,625
Mkt Cap (£m)	EPS (p)	37,733	78.7	40	44
Reuters	P/E(x)	RBS.L	2.96	5.83	5.30
Bloomberg	DPS(p)	RBS LN	36	18	20
Sector	Dividend Yield	Bank	15.45%	7.73%	8.58%
Chairman		Sir Tom McKillop			
CFO		Sir Fred Goodwin			
Website		www.rbs.co.uk			





Disclosures

This report has been prepared by Dolmen Stockbrokers ('Dolmen') for information purposes only to assist investors to make their own investment decisions and is not intended to and does not constitute personal recommendations nor provide the sole basis for any evaluation of the securities discussed. Specifically the information contained in this report should not be taken as an offer or solicitation of investment advice or, encourage the purchase or sale of any particular security, option, future or other derivative investment. Not all recommendations are necessarily suitable for all investors and Dolmen recommend that specific advice should always be sought prior to investment, based on the particular circumstances of the investor.

Although the information in this report has been obtained from sources, which Dolmen believes to be reliable and all reasonable efforts are made to present accurate information Dolmen give no warranty or guarantee as to, and do not accept responsibility for, the correctness, completeness, timeliness or accuracy of the information provided or its transmission. Nor shall Dolmen, or any of its employees, directors or agents, be liable to for any losses, damages, costs, claims, demands or expenses of any kind whatsoever, whether direct or indirect, suffered or incurred in consequence of any use of, or reliance upon, the information. Any person acting on the information contained in this report does so entirely at his or her own risk.

All estimates, views and opinions included in this report constitute Dolmen's judgment as of the date of the report but may be subject to change without notice. Changes to assumptions may have a material impact on any recommendations made herein.

Unless specifically indicated to the contrary this report has not been disclosed to the covered issuers(s) in advance of publication.

Past performance is not necessarily a guide to future returns. The value of investments and the income from them can fall as well as rise. Investments denominated in foreign currencies are subject to fluctuations in exchange rates, which may have an adverse affect on the value of the investments, sale proceeds, and on dividend or interest income. Investors may not necessarily recoup the full value of their original investment. Investors should be aware that forwarding looking statements and forecasts may not be realised.

This report may not be reproduced (in whole or in part) altered, transmitted or made available to any other person without the prior written permission of Dolmen.

Dolmen Securities Limited is regulated by the Financial Regulator. Dolmen Securities Limited is a member firm of the London Stock Exchange. Dolmen Stockbrokers is regulated by the Financial Regulator. Dolmen Stockbrokers Limited is a member firm of the Irish Stock Exchange and the London Stock Exchange.

Conflicts of Interest & Share Ownership Policy

Dolmen, its employees, directors or related companies, may have a shareholding in the securities (or related investments/ derivatives) of certain companies covered in this report, or may provide/ solicit investment banking or other services to/ from them.

It is noted that research analysts' compensation is impacted upon by overall firm profitability and accordingly may be affected to some extent by revenues arising other Dolmen business units including Corporate Finance, Fund Management and Stockbroking. Revenues in these business units may derive in part from the recommendations or views in this report. Notwithstanding, Dolmen is satisfied that the objectivity of views and recommendations contained in this report has not been compromised.

Dolmen permits research analysts to own shares and/ or derivative positions in issuers they publish research, views and recommendations on and accordingly analysts involved in the production of this report may own stocks in a company covered in it. Any own account staff trading is undertaken in strict compliance with Dolmen's own account internal rules and therefore Dolmen is satisfied that the impartiality of research, views and recommendations remains assured.

Analyst Certification

Each research analyst responsible for the content of this report, in whole or in part, certifies that: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report. Stuart Draper, David Dunk and Stephen Taylor are responsible for the production of this report. Stuart Draper is Head of Research and David Dunk & Stephen Taylor are equity analysts.

For US Persons Only

This report is only provided in the US to major institutional investors as defined by s. 15 a-6 of the Securities Exchange Act, 1934 as amended. A US recipient of this report shall not distribute or provide this report or any part thereof to any other person.



DOLMEN SECURITIES LTD