



DAILY COMPANY NOTE — Royal Bank of Scotland See page 2 for full details

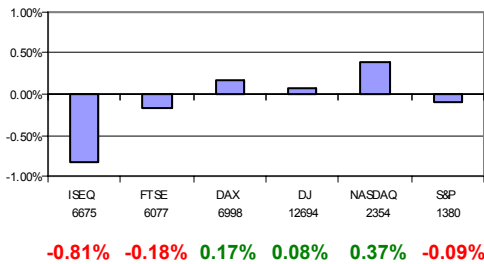
Daily Market Comment

Yesterday's Summary : The ISEQ finished down 0.81% as weak UK GDP data and a cautious outlook release from HBOS weighed on investor sentiment. Irish financials failed to deliver three consecutive session gains as AIB lost 64 cent to close at €13.91 and Bank of Ireland shed 1.2% ending the day at €9.79. Despite releasing strong results, Irish Life & Permanent closed 3% down at €10.90. With surging oil prices reaching \$102 a barrel, Ryanair and Aerlingus suffered, finishing the day down 5 cent to €3.99 and 4 cent to €2.31 respectively. After a positive outlook from its US competitor CSM, IAWS rose 41 cent to €13.45.

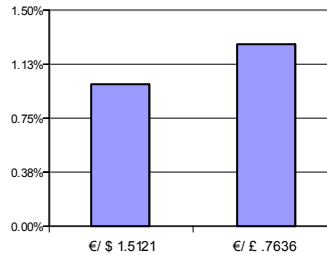
Overnight News : It was pretty much as you were in the US yesterday, with a rally on the bank of the news that raising investment caps on the two largest home financials may prevent deeper damage to the housing market lost momentum. The Dow Jones closed up 0.08% and the S&P lost 0.09% to the day at 12694.28 and 1380.02 respectively. With weaker than expected industrial output data and a stronger yen Japan's Nikkei closed down 0.8% at 13,925.51. In China, the benchmark Shanghai Composite Index closed down 0.80 percent at 4,299.51, consolidating after a more than 2% rebound yesterday.

Breaking News: Aviva have reported a strong set of full year 2007 results, posting an operating profit of £3.29bn which is a 1% increase on last year and ahead of analyst expectations. Furthermore, Britain's largest insurer has announced a total dividend for the year of 33p, an increase of 10%. The UK house builder Redrow has reported that profit before tax has fallen to £35.8m from £54.7m a year ago. In addition they have given a cautious outlook, predicting the housing market will remain challenging. Ladbrokes have announced a pretax profit of £344.2m which is up from £238.1m a year ago and ahead of analyst expectations.

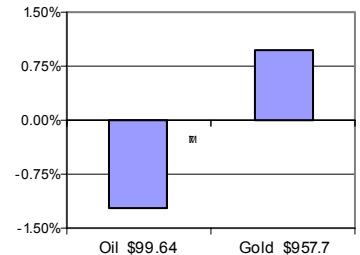
Equity Index's change on day



Currency daily % change



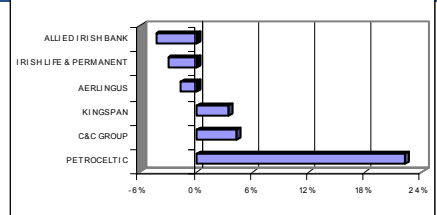
Oil/Gold daily % change



Paper Headlines

- "Permanent's operating profit rises by 12%" - **Irish Life & Permanent** - (Irish Times)
- "Pretax profits rise 28% to €272m at Bank of Scotland" - **Bank of Scotland** - (Irish Times)
- "Eurozone is credit crunch free as money supply rises" - (Irish Independent)
- "Tysabri linked with liver injury" - **Elan** - (Irish Examiner)
- "Ryanair complains over illegal aid" - **Ryanair** - (Irish Examiner)

ISEQ Performers/Losers 27/02/08



Market Themes and Movers

European Retail Sales: A Bloomberg index has indicated that European retail sales increased for the first time in five months in February. The purchasing managers index showed that sales growth rose in the Euro region to 52.4m from 48.1m and that shoppers were lured by promotions into stores. These reports have added to suggestions that the European economy is a good state to weather the US economic slowdown and rising oil prices. Meanwhile ECB Governing Council member Axel Weber announced yesterday that market expectations for the ECB to cut rates, failed to take into account the dangers of higher inflation.

US stockpiles increase: The price of crude oil fell from \$102.08 to \$99.64 a barrel yesterday after US stockpiles increased for a seventh week. This rise in stockpiles is thought to represent the weakening demand in the economy of the world's largest consumer of energy. Crude oil supplies have jumped 9.1% or 25.7 million barrels in the past seven weeks in the US and inventories last week were 7% higher than the five year average for the same period. The price of crude oil for April delivery was trading at \$99.05 in London this morning.



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Royal Bank Scotland

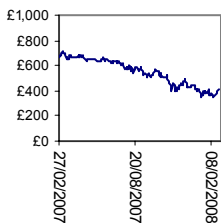
Target	£5.75
Previous (31/01/08)	£5.75
Current	£3.97

FTSE
Banks
Company Profile

Royal Bank of Scotland Group plc. 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.

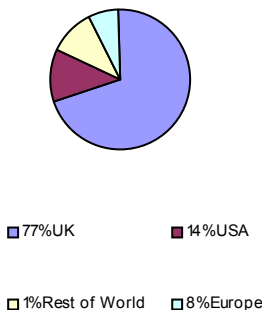
Fundamental view : This morning, Royal Bank of Scotland (RBS) announced its results for the year ended 31/12/07. Underlying profit before tax, excluding ABN Amro, and eps, of £10.282 bn and 78.7p respectively, were year on year increases of 9% and 18%, with the eps result c.5% ahead of the consensus forecast of 75p. The total RBS asset writedown for 2007 was increased to £1.62 bn, from £950m in the December trading statement, spread across CDO's, trading inventory, financial guarantors and leveraged finance. However, total gains on disposal, net of goodwill, of £1.306 bn were also announced from the Southern Water, Sale & Leaseback and LSE disposals. The bank confirmed that its remaining CDO and sub-prime exposures total £5.026 bn versus c.£11 bn of similar assets at Barclays. The dividend was increased by 10% to 33.2p, with a final dividend of 23.1p per share going ex next Wednesday, 5th March, on its own representing a yield of 5.8% on the current share price. The important Tier 1 capital ratio of 7.3% was within the bank's targeted range of between 7% and 8% as a result of disposals and balance sheet management.

Next catalyst : It was also confirmed at the analyst meeting that bank has no plans of any sort for an external capital raising, and that post Basel II that the regulators were comfortable with its current capital position. It was also re-iterated that the current position would strengthen significantly over time as a result of the bank's own internal capital generation. Our current 12 month share price target of £5.75 (45% upside) is based on 8x 2008 eps of 72p, with the shares also paying a full year dividend yield of c.8.4% for waiting for this upside to be achieved. The full year results' announcement also revealed no significant deterioration in the group's credit quality, with the bad debts charge reducing to 0.4% of loans from 0.46% for 2006. The expected synergies from the ABN acquisition were also increased by 33% to £2.284 bn, consisting of cost savings of £1.596 bn and revenue synergies of £688m.

Statistics
Price Performance

Chart view: Royal Bank of Scotland

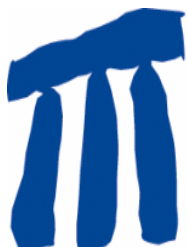
Support Primary: 388
 Support Secondary: 359
 Resistance Primary: 431
 Resistance Secondary: 454

Recent price action has been very positive with stock breaking out of its short-term downtrend on solid volume. Stock has built a strong support base in the 350 to 390 area and this should limit any downside. The next major upside target is at 454 and a breach of this level would signify a break of the longer-term downtrend.

Profit breakdown


Major Shareholders	%	Peer Group Multiples			
Legal & General Inv. Mgt	5.04%	Company name	P/E 08	P/E 09	EPS Growth 07-08
Standard Life Inv.	2.85%	Royal Bank of Scotland	5.5	5.3	4.17%
Barclays Global Inv.	2.44%	Barclays	7.6	6.8	10.46%
M&G Inv. Mgt.	2.40%	Lloyds	9.0	8.2	7.19%
State Street Global	1.64%				
Shares Outstanding	10,006				

Share Data	Financial Data	2007	2008e	2009e
Current Price (p)	PBT (£m)	10282	12433	13522
Mkt Cap (£m)	EPS (p)	79	72	75
Reuters	P/E (x)	5.04	5.51	5.29
Bloomberg	DPS (p)	33	33	38
Sector	Dividend Yield	8.30%	8.31%	9.57%
CEO				
Chairman				
Website				





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