

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

Barbara Fitter (Beneficiary of Ilse O. Marks IRA),
Individually and On Behalf of All Others Similarly
Situated,

Plaintiffs,

vs.

THE ROYAL BANK OF SCOTLAND GROUP
PLC, THE ROYAL BANK OF SCOTLAND PLC,
SIR GEORGE ROSS MATHEWSON, SIR
THOMAS FULTON WILSON McKILLOP, SIR
FREDERICK ANDERSON GOODWIN, GUY
ROBERT WHITTAKER, LAWRENCE
KINGSBAKER FISH, GORDON FRANCIS PELL,
COLIN ALEXANDER MASON BUCHAN, JAMES
McGILL CURRIE, SIR STEPHEN ARTHUR
ROBSON, ROBERT AVISSON SCOTT, PETER
DENIS SUTHERLAND, ARCHIBALD HUNTER,
CHARLES JOHN KOCH, JOSEPH PATRICK
MacHALE, MERRILL LYNCH, PIERCE, FENNER
& SMITH INCORPORATED, GREENWICH
CAPITAL MARKETS, INC., CITIGROUP
GLOBAL MARKETS INC., MORGAN STANLEY
& CO. INCORPORATED, UBS SECURITIES LLC,
WACHOVIA CAPITAL MARKETS, LLC, BANC
OF AMERICA SECURITIES LLC, A.G.
EDWARDS & SONS, INC., and RBC DAIN
RAUSCHER INC.,

Defendants.

CIVIL ACTION NO.

CLASS ACTION

COMPLAINT FOR VIOLATION OF
THE FEDERAL SECURITIES
LAWS

JURY TRIAL DEMANDED

FILED
2021 JUN 23 PM 3:52
S.D. OF N.Y.

Plaintiff Barbara Fitter (beneficiary of Ilse O. Marks IRA) (“Plaintiff”), individually and on behalf of all other persons similarly situated, by Plaintiff’s undersigned attorneys, for her Class Action Complaint against defendants, alleges upon personal knowledge as to herself and her own acts, and upon information and belief as to all other matters, based on, *inter alia*, the investigation conducted by and through her attorneys, which included, among other things, a review of the defendants’ public documents, conference calls and announcements made by defendants, Securities and Exchange Commission (“SEC”) filings, wire and press releases published by and regarding The Royal Bank of Scotland Group plc (“RBS” or the “Company”), securities analysts’ reports and advisories about the Company, and information readily obtainable on the Internet.

NATURE OF THE ACTION

1. This is a securities class action on behalf of all persons who acquired the American Depositary Shares (“ADS”) of RBS pursuant and/or traceable to a false and misleading registration statement and prospectus (collectively, the “Registration Statement”) issued in connection with the Company’s December 2006 public offering of the Company’s 26 million Non-cumulative Dollar Preference Shares, 6.125% Series R (the “Offering”). This action asserts claims under the Securities Act of 1933 (“1933 Act”) against RBS, its directors and the investment banks which underwrote the December 2006 Offering (collectively, “defendants”) for material misrepresentations and omissions in a registration statement, filed by RBS with the SEC on Form F-3 on April 8, 2005, (the “Registration Statement”) and prospectus filed by RBS with the SEC on or about December 18, 2006, (the “Prospectus”).

2. RBS is a holding company of The Royal Bank of Scotland plc (“Royal Bank”) and National Westminster Bank Plc (“NatWest”), which are United Kingdom-based clearing banks.

RBS operates across a global network with branch offices in the United States, including in the State of New York.

3. Defendants consummated RBS's Offering pursuant to the false and misleading Registration Statement and Prospectus, selling 26 million Non-Cumulative Dollar Preference Shares, Series R ("Series R ADS") at \$25 per share, for proceeds of approximately \$650 million. The Registration Statement/Prospectus incorporated RBS's financial results for 2004 and 2005.

4. The representations made in the Company's Prospectus were materially false and misleading because at the time of the Offering, RBS was suffering from several adverse factors that were not revealed and adequately accounted for in financial statements. These factors include, but are not limited to, (i) the Company's extensive portfolio of asset backed securities, including collateralized debt obligations (CDOs), were impaired to a much larger extent than the Company had disclosed; (ii) the defendants' failure to properly record losses for impaired assets; (iii) the Company's internal controls were inadequate to prevent the Company from improperly reporting the value of its debt securities; and (iv) the Company's capital base was insufficient to withstand the significant deterioration in the subprime market and, as a result, RBS would be forced to raise significant amounts of additional capital.

5. The Company's problems began in 2000 when it began to increase its portfolio of CDOs. CDOs are investment vehicles that are created by buying various kinds of debt, pooling them together and using them to back the issuance of new bonds. The majority of the Company's CDOs were based on mortgage backed securities. As the housing bubble burst in 2006, the Company should have accounted for the long term consequences of its short term focus. It did so only belatedly in 2008, when the Company finally wrote down billions of

dollars of mortgage-related assets. It ultimately had to be bailed out by the U.K. government.

6. RBS ultimately announced huge multi-billion pound impairment charges associated with its exposure to debt securities, including mortgage-related securities tied to the U.S. real estate markets, causing the price of RBS's Series R ADS issued in the Offering to decline. RBS's Series R ADS now trade at approximately \$5.92 per share.

7. Plaintiff and the Class have suffered serious financial damage as a result of defendants' material misstatements and omissions in the Company's Prospectus, and bring this action to recover damages incurred thereby as well as the costs and expenses of this litigation and any further relief as may be just and proper.

JURISDICTION AND VENUE

8. The claims asserted herein arise under and pursuant to §§ 11, 12(a)(2) and 15 of the 1933 Act [15 U.S.C. §§ 77k, 77l(a)(2) and 77o]. In connection with the acts complained of, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications and the facilities of the national securities markets.

9. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331 and § 22 of the 1933 Act.

10. Venue is proper in this District pursuant to 28 U.S.C. § 1391(b), because the underwriter defendants conduct business in this District and many of the acts and practices complained of herein occurred in substantial part in this District.

11. In connection with the acts alleged in this complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications and the facilities of the national securities markets.

PARTIES

12. Plaintiff Barbara Fitter (beneficiary of Ilse O. Marks IRA) acquired RBS Series R ADS pursuant or traceable to the Offering, as set forth in the accompanying certification which is incorporated herein by reference, and has been damaged thereby.

13. Defendant RBS is a holding company of Royal Bank and NatWest, which are United Kingdom-based clearing banks. The Company is organized in six business divisions. Its shares trade in an efficient market on the New York Stock Exchange (“NYSE”). RBS is based in Edinburgh, Scotland, United Kingdom, with executive offices in New York, New York and has a presence around the globe.

14. Defendant Royal Bank is one of the retail banking subsidiaries of RBS, which, together with NatWest and Ulster Bank, provides branch banking facilities in the United Kingdom. Royal Bank is located in Edinburgh, Scotland, United Kingdom.

15. Defendant Sir George Mathewson (“Mathewson”) was Chairman of the Board of RBS until April 28, 2006. Defendant Mathewson signed the false and misleading Registration Statement. Defendant Mathewson was further identified as a director in RBS’s Form 20-F (“20-F”) filed with the SEC for the year ended December 31, 2005, which was incorporated by reference into the Prospectus Supplement filed in connection with the Offering.

16. Defendant Sir Thomas Fulton Wilson McKillop (“McKillop”) was Deputy Chairman of the Board of RBS between September 2005 and April 2006. In April 2006, McKillop became the Chairman of the Board of RBS. On October 13, 2008, McKillop announced that he will retire in

April 2009. McKillop was further identified as a director in RBS's 20-F filed with the SEC for the year ending December 31, 2005, which was incorporated by reference into the Prospectus Supplement filed in connection with the Offering.

17. Defendant Sir Frederick Anderson Goodwin ("Goodwin") was Group Chief Executive Officer ("CEO") and a director of RBS until October 2008. Defendant Goodwin signed the false and misleading Registration Statement. Goodwin was further identified as a director in RBS's 20-F filed with the SEC for the year ending December 31, 2005, which was incorporated by reference into the Prospectus Supplement filed in connection with the Offering.

18. Defendant Guy Robert Whittaker ("Whittaker") has been Group Financial Director and a director of RBS since February 2006. Whittaker was identified as a director in RBS's 20-F filed with the SEC for the year ending December 31, 2005, which was incorporated by reference into the Prospectus Supplement filed in connection with the Offering.

19. Defendant Lawrence Kingsbaker Fish ("Fish") is, and at all relevant times was, a director of RBS. Fish signed the false and misleading Registration Statement. Fish was further identified as a director in RBS's 20-F filed with the SEC for the year ending December 31, 2005, which was incorporated by reference into the Prospectus Supplement filed in connection with the Offering.

20. Defendant Gordon Francis Pell ("Pell") is, and at all relevant times was, a director of RBS. Defendant Pell signed the false and misleading Registration Statement. Pell was further identified as a director in RBS's 20-F filed with the SEC for the year ending December 31, 2005, which was incorporated by reference into the Prospectus Supplement filed in connection with the Offering.

21. Defendant Colin Alexander Mason Buchan (“Buchan”) is, and at all relevant times was, a director of RBS. Buchan signed the false and misleading Registration Statement. Buchan was further identified as a director in RBS’s 20-F filed with the SEC for the year ending December 31, 2005, which was incorporated by reference into the Prospectus Supplement filed in connection with the Offering.

22. Defendant James McGill Currie (“Currie”) is, and at all relevant times was, a director of RBS. Defendant Currie signed the false and misleading Registration Statement. Currie was further identified as a director in RBS’s 20-F filed with the SEC for the year ending December 31, 2005, which was incorporated by reference into the Prospectus Supplement filed in connection with the Offering.

23. Defendant Sir Stephen Arthur Robson (“Robson”) is, and at all relevant times was, a director of RBS. Defendant Robson signed the false and misleading Registration Statement. Robson was further identified as a director in RBS’s 20-F filed with the SEC for the year ending December 31, 2005, which was incorporated by reference into the Prospectus Supplement filed in connection with the Offering.

24. Defendant Robert Avisson Scott (“Scott”) is, and at all relevant times was, a director of RBS. Defendant Scott signed the false and misleading Registration Statement. Scott was further identified as a director in RBS’s 20-F filed with the SEC for the year ending December 31, 2005, which was incorporated by reference into the Prospectus Supplement filed in connection with the Offering.

25. Defendant Peter Denis Sutherland (“Sutherland”) is, and at all relevant times was, a director of RBS. Defendant Sutherland signed the false and misleading Registration Statement. Sutherland was further identified as a director in RBS’s 20-F filed with the SEC for the year ending

December 31, 2005, which was incorporated by reference into the Prospectus Supplement filed in connection with the Offering.

26. Defendant Archibald Hunter (“Hunter”) is, and at all relevant times was, a director of RBS. Defendant Hunter signed the false and misleading Registration Statement. Hunter was further identified as a director in RBS’s 20-F filed with the SEC for the year ending December 31, 2005, which was incorporated by reference into the Prospectus Supplement filed in connection with the Offering.

27. Defendant Charles John Koch (“Koch”) is, and at all relevant times was, a director of RBS. Defendant Koch signed the false and misleading Registration Statement. Koch was further identified as a director in RBS’s 20-F filed with the SEC for the year ending December 31, 2005, which was incorporated by reference into the Prospectus Supplement filed in connection with the Offering.

28. Defendant Joseph Patrick MacHale (“MacHale”) is, and at all relevant times was, a director of RBS. Defendant MacHale signed the false and misleading Registration Statement. MacHale was further identified as a director in RBS’s 20-F filed with the SEC for the year ending December 31, 2005, which was incorporated by reference into the Prospectus Supplement filed in connection with the Offering.

29. The defendants referenced above in ¶¶ 18 - 31 are referred to herein as the “Individual Defendants.”

30. Defendant Merrill Lynch, Pierce, Fenner & Smith Incorporated (“Merrill Lynch”) provides capital markets services, investment banking and advisory services, wealth management, asset management, insurance, banking and related products and services on a global basis. Merrill Lynch was an underwriter and a joint book running manager of the Offering. As an underwriter

of the Offering, Merrill Lynch was responsible for ensuring the truthfulness and accuracy of the various statements contained in or incorporated by reference into the Public Offering Materials.

31. Defendant Greenwich Capital Markets, Inc. (“Greenwich”) is a fixed-income capital markets firm providing a full range of debt financing, risk management and investment services to major corporations and financial and governmental institutions around the world. Greenwich was an underwriter and a joint book running manager of the Offering. As an underwriter of the Offering, Greenwich was responsible for ensuring the truthfulness and accuracy of the various statements contained in or incorporated by reference into the Public Offering Materials.

32. Defendant Wachovia Capital Markets, LLC (“Wachovia Capital”) is the corporate and investment banking side of brokerage firm Wachovia Securities (both companies are subsidiaries of banking giant Wachovia). Wachovia Capital provides financial and corporate advisory services, private capital, debt private placement, mergers and acquisitions advice, underwriting, and equity investing. It also offers real estate financing, risk management services, and structured products such as asset-backed and mortgage-backed securities. Wachovia Capital was an underwriter and a joint book running manager of the Offering. As an underwriter of the Offering, Wachovia Capital was responsible for ensuring the truthfulness and accuracy of the various statements contained in or incorporated by reference into the Public Offering Materials.

33. Defendant Citigroup Global Markets Inc. (“Citigroup”) is a subsidiary of Citigroup Inc. Citigroup was an underwriter and a joint book running manager of the Offering. As an underwriter of the Offering, Citigroup was responsible for ensuring the truthfulness and accuracy of the various statements contained in or incorporated by reference into the Public Offering Materials.

34. A.G. Edwards & Sons Inc. (“A.G. Edwards”) was an underwriter and a joint book running manager of the Offering. As an underwriter of the Offering, A.G. Edwards was responsible for ensuring the truthfulness and accuracy of the various statements contained in or incorporated by reference into the Public Offering Materials.

35. Defendant Morgan Stanley & Co. Incorporated (“Morgan Stanley”) is a global financial services firm that, through its subsidiaries and affiliates, provides its products and services to customers, including corporations, governments, financial institutions and individuals. Morgan Stanley assists public and private corporations in raising funds in the capital markets (both equity and debt), as well as in providing strategic advisory services for mergers, acquisitions and other types of financial transactions. Morgan Stanley was an underwriter and a joint book running manager of the Offering. As an underwriter of the Offering, Morgan Stanley was responsible for ensuring the truthfulness and accuracy of the various statements contained in or incorporated by reference into the Public Offering Materials.

36. Defendant UBS Securities LLC (“UBS”) is the U.S. investment banking and securities arm of UBS Investment Bank. UBS Investment Bank provides a range of financial products and services worldwide. UBS was an underwriter and a joint book running manager of the Offering. As an underwriter of the Offering, UBS was responsible for ensuring the truthfulness and accuracy of the various statements contained in or incorporated by reference into the Public Offering Materials.

37. Defendant Banc of America Securities LLC (“Banc of America”) is the investment banking arm of Bank of America. Banc of America offers trading and brokerage services; debt and securities underwriting; debt and equity research; and advice on public offerings, leveraged buyouts, and mergers and acquisitions. Banc of America was an underwriter and a joint book running

manager of the Offering. As an underwriter of the Offering, Banc of America was responsible for ensuring the truthfulness and accuracy of the various statements contained in or incorporated by reference into the Public Offering Materials.

38. Defendant RBC Capital Markets Corporation (“RBC”) is the corporate and investment banking division of Royal Bank of Canada. RBC was an underwriter and a joint book running manager of the Offering. As an underwriter of the Offering, RBC was responsible for ensuring the truthfulness and accuracy of the various statements contained in or incorporated by reference into the Public Offering Materials.

39. Pursuant to the 1933 Act, the defendants referenced in ¶¶ 33 - 41 above are referred to herein as the “Underwriter Defendants.”

40. The Underwriter Defendants are liable for the false and misleading statements in the Registration Statement. In connection with the Offering, the Underwriter Defendants drafted and disseminated the Registration Statement and were paid fees in connection therewith. The Underwriter Defendants’ failure to conduct an adequate due diligence investigation was a substantial factor leading to the harm complained of herein.

CLASS ACTION ALLEGATIONS

41. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all persons or entities who acquired RBS Series R ADS pursuant or traceable to the Company’s false and misleading Registration Statement for the Offering and who were damaged thereby (the “Class”). Excluded from the Class are defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

42. The members of the Class are so numerous that joinder of all members is impracticable. RBS Series R ADS were actively traded on the NYSE. While the exact number of Class members is unknown to Plaintiff at this time and can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by RBS or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

43. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by defendants' wrongful conduct in violation of federal law that is complained of herein.

44. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

45. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- (a) whether the 1933 Act was violated by defendants' acts as alleged herein;
- (b) whether statements made by defendants to the investing public in the Registration Statement misrepresented material facts about the business, operations and management of RBS; and
- (c) to what extent the members of the Class have sustained damages and the proper measure of damages.

46. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the

damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

BACKGROUND

47. RBS operates in more than 50 countries around the world to provide a range of retail and corporate banking, consumer finance, insurance and wealth management services. RBS is one of the world's top 10 financial services groups and a leading provider of personal, business and institutional banking services. RBS is made up of five main operating divisions: Global Markets, Regional Markets, RBS Insurance, Group Manufacturing and Group Functions. It is one of the largest financial services companies in the world by market capitalization.

THE FALSE AND DEFECTIVE REGISTRATION STATEMENT AND PROSPECTUS

48. On or about April 8, 2005, RBS filed with the SEC a Form F-3 Registration Statement and Prospectus using a "shelf" registration or continuous offering process. Under the shelf, RBS would be permitted to sell securities described in the Prospectus in one or more offerings up to a total dollar amount of \$10 billion. The Prospectus was a part of the Registration Statement. The securities were to be issued by RBS. The Form F-3 incorporated RBS's Form 20-F for the fiscal year ended December 31, 2004:

The SEC allows us to "incorporate by reference" the information that we file with the SEC. This permits us to disclose important information to you by referring to these filed documents. Any information referred to in this way is considered part of this prospectus, and any information that we file with the SEC after the date of this prospectus will automatically be deemed to update and supersede this information.

We incorporate by reference our Annual Report on Form 20-F for the fiscal year ended December 31, 2004 filed with the SEC on

March 29, 2005. We also incorporate by reference any future filings made with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 and certain Reports on Form 6-K, if they state that they are incorporated by reference into this prospectus, that we furnish to the SEC after the date of this prospectus and until we or any underwriters sell all of the securities.

49. The Form F-3 also incorporated by reference subsequently filed prospectuses:

For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

50. The Form F-3 also included assurances that the Registrant would reflect in the Prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represented a fundamental change in the information set forth in the Registration Statement.

51. On April 26, 2006, RBS filed its 2005 annual report on Form 20-F with the SEC. The 2005 Form 20-F represented that RBS had total assets of £776.8 billion and profit after tax of £5.6 billion, up from £108.4 billion and £5.3 billion the prior year, respectively. The Company also noted that it was strongly capitalized with a total capital ratio of 11.7% and tier 1 capital ratio of 7.6% as of December 31, 2005.

52. On or about December 18, 2006, RBS filed its Prospectus Supplement for the Offering, which forms part of the Registration Statement and which became effective on December 15, 2006, and at least 26 million shares of RBS Series R ADS were sold to the public at \$25.00 per share.

53. The Prospectus directed investors to the Company's previously issued statements as an indication of the Company's health; moreover, it set forth the risk factors associated with

investing in the new security. Neither the past financial statements nor the Company's risk factors detail to the full extent the Company's exposure to the credit market and how the changes in the market were affecting RBS by the time of the Offering. As a result, when the truth about the Company was revealed, the Company's RBS Series R ADS share price plummeted as of January 28, 2009, trading at \$5.92 per share. That price is approximately 76% from the original offering price of \$25 per share.

54. The Registration Statement/Prospectus contained untrue statements of material fact or omitted to state other facts necessary to make the statements made therein not misleading and was not prepared in accordance with applicable SEC rules and regulations.

55. The Prospectus omitted discussion concerning the Company's extensive CDO portfolio even though the Company, through its RBS Greenwich Capital unit, had been steadily increasing its asset backed CDO portfolio since 2000, when it acquired U.K. bank NatWest. Indeed, according to the *Financial Times*, RBS Greenwich CDO volumes jumped 134% in 2006, placing the Company in the top three underwriters of CDO asset backed securities.

56. The Company's prior SEC filings failed to reveal the significant increase to the Company's CDO portfolio. Specifically, the Company's annual report filed on Form 20-F on April 25, 2006 with the SEC failed to mention the CDOs. The information was similarly omitted from the Prospectus. Moreover, the Company's Prospectus was materially false and misleading because it failed to reveal the Company's significant exposure to asset backed CDOs which exposed the Company to the mortgage crisis.

57. On December 6, 2007, RBS announced in a Form 6-K filed with the SEC that it would write down £1.5 billion, the majority of which was related to the Company's exposure to the U.S.

subprime mortgage market. The 6-K commented on the Company's subprime exposure as follows:

The Royal Bank of Scotland Group's Global Banking & Markets business (GBM) has a leading position in structuring, distributing and trading asset-backed securities (ABS). These activities include buying mortgage-backed securities, including securities backed by US sub-prime mortgages, and repackaging them into collateralized debt obligations (CDOs) for subsequent sale to investors. It retains exposure to some of the super senior tranches of these CDOs. There is no exposure to these instruments in the banking book.

At 30 November, GBM's exposure to these super senior tranches, net of hedges and write-downs, totalled £1.1 billion to high grade CDOs which include commercial loan collateral as well as prime and sub-prime mortgage collateral, and £1.3 billion to mezzanine CDOs based predominantly on residential mortgage collateral. The CDOs are largely based on ABS issued between 2004 and the first half of 2006. GBM also had under £1 billion of exposure to sub-prime mortgages through a trading inventory of mortgage-backed securities and CDOs, and £0.1 billion through securitisation residuals. GBM has no exposure to Structured Investment Vehicles (SIVs) or to SIV-Lites.

In the second half of 2007, rising mortgage delinquencies and expectations of declining house prices in the US have led to a deterioration of the estimated fair value of these exposures. Our valuations of the ABS CDO super senior exposures take into consideration outputs from our proprietary model, market data and prudent valuation adjustments. Our trading book exposures and residuals are marked to market on the basis of direct prices, where available, or observable market benchmarks. . . .

(Emphasis added)

58. Despite repeatedly assuring investors of RBS's strong capital position, on April 22, 2008, the Company revealed that it would be forced to take write-downs of approximately £5.9 billion due to its extensive exposure to CDOs and other asset backed securities. Of the Company's CDO exposure totaling £5.9 billion, 30% of the exposure originated in 2007, 46% originated in 2006,

and 30% originated in 2005 or earlier. Accordingly, a significant part of this exposure originated on or before the date of the Offering.

59. RBS also launched a record £12 billion rights offering in order to rebuild the bank's deteriorating balance sheet. The rights offering was completed on June 9, 2008. The rights offering was necessary due to massive write-downs related to impairments in the Company's portfolio of debt securities, including mortgage-related securities, and further as a result of the Company's acquisition of ABN. Notwithstanding these huge write-downs and the massive rights issuance, RBS's securities, including the Series R ADS, did not decline appreciably due to the Company's assurances that it did not require additional capital.

60. On May 11, 2008, *Times Online* issued an article entitled "Americans look into Royal Bank of Scotland sub-prime deals," which stated in part:

The US Securities and Exchange Commission is investigating Royal Bank of Scotland (RBS) over its exposure to American sub-prime mortgages.

The probe was launched in March, and covers the bank's interests in securities backed by sub-prime home loans, as well as residential mortgages written by its US subsidiaries.

RBS is cooperating with the investigation – one of dozens launched into the mortgage industry by American regulators since the crisis began to emerge last year.

Details of the investigation are buried in the prospectus for the bank's imminent £12 billion rights issue, which will be put to a vote at a shareholder meeting this week.

The probe is in addition to an earlier inquiry by the New York State attorney-general – relating to the bank's Greenwich Capital subsidiary – which came to light earlier this year.

The documents reveal that RBS subsidiaries have received requests for information from "various US governmental agencies and self-regulatory organisations" in relation to the sub-prime mortgage crisis.

The documents add: "In particular, during March 2008 RBS was advised by the SEC that it had commenced a nonpublic, formal investigation relating to RBS's US sub-prime securities exposure and US residential mortgage exposures. RBS and its subsidiaries are cooperating with these various requests for information and investigations."

61. On May 21, 2008, *Bloomberg News* published an article entitled "'RBS Falls on Speculation Rights Offer Won't Be Fully Taken Up.'" The article explained that there was significant speculation that the Company's rights offering, necessary to raise the £12 billion needed to shore up capital would not be fully subscribed and as a result the Company's underwriters would be left with the remaining stock that they would have to sell at a discount.

62. Conceding the mistake and facing an inability to raise capital, on July 11, 2008, the Company disclosed it was in talks with National Australia Bank Ltd. to sell the former investment and corporate banking units of ABN AMRO.

63. On August 8, 2008, RBS announced its first-ever loss in the Company's 40-year history as a public company after being forced to take £5.9 billion in write-downs. RBS reported a loss for the first half of 2008 of £691 million compared to a profit of £5.1 billion a year earlier based on IFRS. The majority of the losses were blamed on the Company's £5.9 billion write down earlier in the year. This represented one of the biggest losses in British banking history.

64. On September 10, 2008, *Bloomberg News* published an article entitled "Banks' Subprime market-related losses, Capital Raised." The article points out that the Company had about \$13.7 billion in losses tied to the subprime mortgage market.

65. On October 7, 2008, news began to emerge that the British government was holding talks with major banks, including RBS, concerning the possibility of government funding. On news of a potential bailout, RBS Series R plummeted \$3.99 or nearly 48% and closed at \$4.35.

66. On October 9, 2008, the Company revealed that it had the lowest capital reserves among its British rivals. The Company's Tier 1 capital ratio of only 5.9% was below that of Barclay's and HBOS Plc whose capital ratios were 6.3% and 6.5% respectively. Tier 1 capital is the core measure of a bank's financial strength from a regulator's point of view. The lower the Tier 1 capital ratio, the weaker the bank, and RBS was the weakest amongst Britain's major banks.

67. Thereafter, on October 13, 2008, in a drastic move to raise capital, RBS announced a £20 billion capital raising plan. Under the plan, RBS would offer £15 billion in additional ordinary shares. The price for the shares was set at a fixed price per share; the fixed price represented a discount to the closing price for the Company's shares on October 10, 2008. The new shares would be underwritten by the British government. The government further committed to purchasing up to £5 billion of the new shares if investors failed to purchase shares in the offering.

68. In mid-November 2008, shares of RBS again began to decline, trading at a price below the fixed offering price of the new shares. By the date of the offering, the price of the new shares was set at a 28% premium to the price of RBS's existing shares. As a result, investors rejected the offering, purchasing only 0.24% of the total number of new RBS ordinary shares, forcing the British government to purchase a majority of the newly issued shares.

69. Then on November 28, 2008, RBS announced that the government would take majority control of the bank, buying a 57.9% stake in the Company.

70. Following the Offering, the preference shares traded close to the \$25 per share offering price for several months. Thereafter, as the truth regarding the Company's deteriorating financial results began to emerge, the Series R ADS began to decline to as low as \$4.16 per share on October 10, 2008. On January 2, 2009, RBS preference shares closed at \$5.92 per share.

71. On January 19, 2009, RBS shares tumbled over 40% after the bank said it could report the U.K.'s biggest ever annual corporate loss of up to £28 billion (\$41.6 billion) and also restructured its recent government rescue package.

COUNT I
Violations of Section 11 of the 1933 Act
Against All Defendants

72. Plaintiff repeats and realleges each and every allegation contained above. For purposes of this Count, Plaintiff expressly excludes and disclaims any allegation that could be construed as alleging fraud or intentional or reckless misconduct, as this Count is based solely on claims of strict liability and/or negligence under the 1933 Act.

73. This Count is brought pursuant to § 11 of the 1933 Act, 15 U.S.C. §77k, on behalf of the Class, against all defendants.

74. The Registration Statement was false and misleading, contained untrue statements of material facts, omitted to state other facts necessary to make the statements made not misleading, and omitted to state material facts required to be stated therein.

75. RBS is the registrant for the Offering. As issuer of the shares, RBS is strictly liable to plaintiff and the Class for the misstatements and omissions.

76. The Individual Defendants named herein were responsible for the contents and dissemination of the Registration Statement. Each of the Individual Defendants signed or authorized the signing of the Registration Statement or were identified in the Prospectus.

77. The Underwriter Defendants named herein were responsible for the contents and dissemination of the Registration Statement.

78. None of the defendants named herein made a reasonable investigation or possessed reasonable grounds for the belief that the statements contained in the Registration Statement were true and without omissions of any material facts and were not misleading.

79. By reason of the conduct herein alleged, each defendant violated, and/or controlled a person who violated, § 11 of the 1933 Act.

80. Plaintiff acquired RBS Series R ADS pursuant and/or traceable to the Registration Statement for the Offering.

81. Plaintiff and the Class have sustained damages. At the time of their purchases of RBS Series R ADS, Plaintiff and other members of the Class were without knowledge of the facts concerning the wrongful conduct alleged herein and could not have reasonably discovered those facts prior to mid-2008. Less than three years elapsed between the time that the securities upon which this Count is brought were offered to the public and the time plaintiff filed this complaint.

COUNT II
Violations of Section 12(a)(2) of the 1933 Act
Against All Defendants

82. Plaintiff repeats and realleges the allegations set forth above as if set forth fully herein. For purposes of this Count, Plaintiff expressly excludes and disclaims any allegation that could be construed as alleging fraud or intentional or reckless misconduct, as this Count is based solely on claims of strict liability and/or negligence under the 1933 Act.

83. By means of the defective Prospectus, defendants assisted in the sale of shares of the Company's Series R ADS to Plaintiff and other members of the Class.

84. The Prospectus contained untrue statements of material fact, and concealed and failed to disclose material facts, as detailed above. Defendants owed Plaintiff and the other members of the Class who purchased RBS Series R ADS pursuant to the Prospectus the duty to make a reasonable

and diligent investigation of the statements contained in the Prospectus to ensure that such statements were true and that there was no omission to state a material fact required to be stated in order to make the statements contained therein not misleading. Defendants, in the exercise of reasonable care, should have known of the misstatements and omissions contained in the Prospectus as set forth above.

85. Plaintiff did not know, nor in the exercise of reasonable diligence could have known, of the untruths and omissions contained in the Prospectus at the time Plaintiff acquired the Company's Series R ADS.

86. By reason of the conduct alleged herein, defendants violated § 12(a)(2) of the 1933 Act. As a direct and proximate result of such violations, Plaintiff and the other members of the Class who purchased RBS Series R ADS pursuant to the Prospectus sustained substantial damages in connection with their purchases of RBS Series R ADS. Accordingly, Plaintiff and the other members of the Class who hold such shares have the right to rescind and recover the consideration paid for their shares, and hereby tender their shares to the defendants sued herein. Class members who have sold their shares seek damages to the extent permitted by law.

COUNT III
Violations of Section 15 of the 1933 Act
Against the Individual Defendants

87. Plaintiff repeats and realleges each and every allegation contained above. For purposes of this Count, Plaintiff expressly excludes and disclaims any allegation that could be construed as alleging fraud or intentional or reckless misconduct, as this Count is based solely on claims of strict liability and/or negligence under the 1933 Act.

88. This Count is brought pursuant to § 15 of the 1933 Act against the Individual Defendants.

89. Each of the Individual Defendants was a control person of RBS by virtue of his position as a director, senior officer and/or major shareholder of RBS which allowed each of these defendants to exercise control over RBS and Royal Bank and their operations.

90. Each of the Individual Defendants was a culpable participant in the violations of § 11 of the 1933 Act alleged in Count I above, based on his having signed or authorized the signing of the Registration Statement and having otherwise participated in the process which allowed the Offering to be successfully completed.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

A. Determining that this action is a proper class action and certifying Plaintiff as a Class representative;

B. Awarding compensatory damages in favor of Plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

C. Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees;

D. Awarding rescission or a rescissory measure of damages; and

E. Such equitable/injunctive or other relief as deemed appropriate by the Court.

JURY DEMAND

Plaintiff hereby demands a trial by jury.

DATED: February 23, 2009

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Attorneys for Plaintiff

**CERTIFICATION PURSUANT TO
THE FEDERAL SECURITIES LAWS**

I, Barbara Fitter (beneficiary of Ilse O. Marks IRA), hereby certify, pursuant to Section 27(a)(2) of the Securities Act of 1933, as amended by the Private Securities Litigation Reform Act of 1995, that:

1. I have reviewed a complaint against The Royal Bank of Scotland Group plc ("RBS"), and authorize the filing of a comparable complaint on my behalf.
2. I did not purchase RBS Non-Cumulative Dollar Preference Shares, 6.125% Series R (the "Securities"), at the direction of plaintiff's counsel or to participate in any private action arising under the Securities Act of 1933.
3. I am willing to serve as a representative party on behalf of a Class as set forth in the complaint, including providing testimony at deposition and trial, if necessary. I understand that the Court has the authority to select the most adequate lead plaintiff in this action and that the Pomerantz Firm may exercise its discretion in determining whether to move on my behalf for appointment as lead plaintiff.
4. To the best of my current knowledge, the attached sheet lists all of my transactions in the Securities.
5. During the three-year period preceding the date on which this Certification is signed, I have not sought to serve as a representative party on behalf of a class under the federal securities laws, except the following: *NONE.*

6. I agree not to accept any payment for serving as a representative party on behalf of the Class as set forth in the complaint, beyond my pro rata share of any recovery, except such reasonable costs and expenses directly relating to the representation of the Class as ordered or approved by the Court.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on 2/13/09 at _____
(Date) (City, State)
Ilse O. Marks Decd
FR Barbara Fitter
(Signature)
ILSE O. MARKS DEC'D
FR BARBARA FITTER BENE IRA
(Type or Print Name)

