



Bonus issue

Approved by shareholders at the Annual General Meeting on 25 April 2007 and taking effect on 8 May 2007, the Bonus Issue had the effect of lowering the Group's price per share, aligning the shares more closely with the average share prices for FTSE 100 companies and other banking stocks at the time.

Why were the Bonus Shares issued?

The Group's share price had been trading for some time at a price which was high relative to the average share price of companies trading on the London Stock Exchange. The directors believed that many shareholders prefer to deal in shares with a lower price per share, which is more in line with the stock market as a whole. Therefore, in March 2007 the directors proposed to adjust the level of the price per share by issuing, by way of a bonus issue, two new ordinary shares for every one ordinary share held by shareholders.

The Bonus Issue was approved by shareholders at the Annual General Meeting on 25 April 2007 and took effect on 8 May 2007. It has had the effect of lowering the price per share, aligning them closer with the average share prices for FTSE 100 companies and other banking stocks.

How has this affected the value of my shareholding?

The Bonus Issue should not have affected the overall value of any Group shares you held at close of business on 4 May 2007. Although the value of each share at the start of trading on Tuesday 8 May 2007 will be about one third of its closing value on 4 May 2007, you will now have three times the number of shares than you previously held (See notes).

Remember, Group shares will continue to fluctuate in accordance with market factors prevailing at any given time.

Did I have to do anything to get the Bonus Issue Shares?

No. All shareholders on the Register at close of business on 4 May 2007 (the Bonus Issue Record Date) qualified for the Bonus Issue Shares.

Do I need to keep my old share certificate?

Yes. The existing share certificates are still valid and need to be kept in addition to the new Bonus Issue share certificate due to be sent to you as soon as possible after Monday 14 May 2007.

Will I need my old share certificate - I think I've lost it?

Yes. The existing share certificates are still valid and need to be kept in addition to the new Bonus Issue share certificate due to be sent to you as soon as possible after Monday 14 May 2007.

If you have lost your existing share certificate(s), please write to Computershare, quoting your full name and Shareholder Reference Number, company name (RBS) and the number of shares making up the missing certificate.

When will CREST accounts be credited?

CREST accounts were credited with the Bonus Issue shares on Tuesday 8 May 2007.

When will dealings in the Bonus Issue Shares start?

Dealings in the Bonus Issue Shares commenced on Tuesday 8 May 2007.

Example of how shareholdings were affected by the Bonus issue

The terms of the Bonus Issue are that for every 1 share you held at close of business on 4 May 2007 (the Record Date), you will have received 2 Bonus Issue Shares.

As such, you will now hold three times the number of RBS shares you previously held. In this example, you would now have 300 RBS shares (100 existing shares + 200 Bonus Issue Shares).

However, the price of each share will have been lowered by the market to reflect the allocation of the Bonus Issue Shares.

***Note:-** Example of how your shareholding has been affected by the Bonus Issue:

For example purposes, let us assume that prior to the Bonus Issue you held 100 RBS Shares.

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However, the price of each share will have been lowered by the market to reflect the allocation of the Bonus Issue Shares.