



Capitalisation issue

In 2008, the Board announced a capitalisation issue in place of the 2008 interim dividend. This page contains more information regarding this issue.

Timetable

Friday 8 August 2008	Interim Results Announced
Friday 12 September 2008	Record Date
Monday 15 September 2008	Ex-Capitalisation Date (UK and Euronext)
Friday 19 September 2008	New share certificates mailed

FAQ

What is a Capitalisation Issue?

A Capitalisation Issue is an issue of new shares to existing shareholders in proportion to their existing shareholding. Shareholders do not pay for the new shares that they are receiving. The issued share capital of The Royal Bank of Scotland Group plc ("the Company") is increased to account for the new shares that are allotted.

What is the difference between the Bonus Issue 2007 and the Capitalisation Issue 2008?

The Bonus Issue was proposed by the directors and agreed by shareholders at the 2007 Annual General Meeting to bring the share price more in line with the stock market as a whole and other banking institutions. The ratio under which shares were issued through the Bonus Issue was 2 additional shares for every existing share held.

What if I held less than 40 shares on the register at the close of business on 12 September 2008?

As your shareholding does not entitle you to any Capitalisation Issue shares you have not received new shares. Fractional shares have not been issued and you have not received any cash equivalent.

How many shares have I received?

Under the terms of the Capitalisation Issue, shareholders on the register as at 12 September 2008, the Record Date, received 1 new Ordinary Share for every 40 existing Ordinary Shares held. A letter confirming your new shareholding together with an additional share certificate (where applicable) will be sent to you on 19 September 2008.

Why have further shares been issued?

As indicated in the press announcement dated 22 April 2008 and following our Rights Issue earlier this year, the Board considers that it is prudent to issue new ordinary shares in the Company (the Capitalisation Issue Shares) instead of paying the 2008 interim dividend in cash. This is intended to accelerate the strengthening of the Group's capital position. The Capitalisation Issue was approved by Shareholders at the General Meeting on 14 May 2008.

How has this affected the value of my shareholding?

The Capitalisation Issue should not affect the overall value of your shareholding save that fractions of shares have not been issued in the Capitalisation Issue. If the Capitalisation Issue has resulted in you being entitled to a fraction of a share, your percentage interest in the issued share capital of the Company has been marginally reduced. Although the value of the Company should remain the same, subject to market fluctuations, the value of each share will in theory drop to reflect the greater number of shares in issue. Company shares will continue to fluctuate in accordance with market factors prevailing at any given time.

What do I have to do to get the Capitalisation Issue Shares?

You do not have to take any action. All shareholders who held 40 shares or more on the register at close of business on 12 September 2008 qualified to receive the Capitalisation Issue Shares.

I hold my shares in the form of American Depository Receipts ("ADRs"). Will I receive Capitalisation Issue Shares?

Bank of New York Mellon will receive the Capitalisation Issue Shares as it is the registered shareholder. It will then allocate the Capitalisation Issue Shares on a pro rata basis among the ADR holders and will distribute a proportionate number of ADRs to ADR holders.

Please note that the ex-capitalisation date for ADR holders is different from the ex-capitalisation date for shareholders of shares. As per normal NYSE practice, the ex-capitalisation date for ADR shareholders is Wednesday 10 September 2008, the date falling two business days prior to the Record Date. Please contact BoNY Mellon if you require clarification of the relevant dates applicable to ADR holders at The Bank of New York Mellon, Investor Services, PO Box 11258, Church Street Station, New York NY 10286-1258, telephone (001) 212 815 3700, email shareowners@bankofny.com.

Did ADR holders receive their new ADRs at the same time as shareholders received their Capitalisation Issue Shares?

No. The Capitalisation Issue Shares will be credited to shareholders who hold their shares through CREST, including Bank of New York Mellon, on Monday 15 September 2008. Bank of New York Mellon will credit the accounts of ADR holders with new ADRs on or around Monday 22 September 2008.

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 Capitalisation Issue share certificate representing your Capitalisation Issue Shares which will be sent to you on 19 September 2008.

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

There is normally a charge for replacing missing certificates however if you wish to use the Dealing Service to sell your existing or Capitalisation Issue shares there will be no charge for replacing missing certificates in respect of shareholdings totalling up to 100 shares.

When were CREST/nominee accounts be credited?

CREST accounts were credited with the Capitalisation Issue Shares on 15 September 2008.

When did Capitalisation Issue Shares become tradable?

Capitalisation Issue Shares were tradable from the ex-capitalisation ("ex-cap") date, 15 September 2008.

What is the 'ex- cap' date'?

This is the date upon which the new Capitalisation Issue shares are allotted to Shareholders and admitted for trading on the London Stock Exchange.

What is the 'Record Date'?

The Record Date (12 September 2008) is the date upon which you must be recorded on the share register in order to receive Capitalisation Issue shares.

What do I do if I sell my shares on or around the Capitalisation Issue Record Date?

If you sold or otherwise transferred all of your ordinary shares in certificated form on or around the Record Date you should check with your bank, stockbroker or other agent to ensure you are still eligible to receive Capitalisation Issue shares. You may be required to account to the purchaser for the Capitalisation Issue shares.

My total shareholding does not evenly divide into the Capitalisation Issue ratio. What happens to my fractional entitlement?

For shareholders whose shareholding does not divide equally into the Capitalisation Issue ratio, any fractional entitlements have been disregarded and the number of shares a shareholder was entitled to was rounded down to the nearest whole share. Fractional entitlements were not allotted or sold.

For example, if you held 130 shares on the Record Date you will have received 3 Capitalisation Issue Shares on the basis of the 1 for 40 Capitalisation Issue ratio. You will now hold a total of 133 shares.

Will the Capitalisation Issue affect arrangements for payment of future dividends?

Arrangements for payment of the Company's future dividends will not be affected by the Capitalisation Issue. All mandates and other instructions in force relating to dividend payments, including DRIP elections, will, unless and until revoked, remain in force. As stated in the Chairman's letter dated 30 April 2008, the DRIP is not being operated for the time being. The Board will review the operation of the DRIP for the final 2008 dividend.

What is the Dividend Reinvestment Plan ("DRIP")?

The Dividend Reinvestment Plan gives shareholders the opportunity to reinvest their cash dividends in ordinary shares. As noted above, the DRIP is not being operated for the time being.

Why is the DRIP not being operated?

The terms and conditions of the DRIP state that the Group can suspend its operation if it is in the interests of shareholders to do so. It was considered by the Board that it would be in the best interests of shareholders to issue new ordinary shares instead of paying the 2008 interim dividend in cash. This is intended to accelerate the strengthening of the Group's capital position. The Board will review the operation of the DRIP for the final 2008 dividend.

Are all shareholders eligible to participate in the Capitalisation Issue?

Yes, all shareholders who hold 40 shares or more and are on the register at the Record Date will receive Capitalisation Issue Shares.

How will the Capitalisation Issue Shares be treated for UK tax purposes?

For the purposes of income tax, receipt of the Capitalisation Issue Shares should not result in a charge to tax as income, and will not give rise to a charge to stamp duty or Stamp Duty Reserve Tax.

For the purposes of Capital Gains Tax ("CGT"), the Capitalisation Issue Shares should be regarded as a reorganisation of the share capital of the Company. Accordingly, the Capitalisation Issue should not give rise to a charge to CGT. Instead, the existing Ordinary Shares held by you and the Capitalisation Issue Shares should, taken together, be treated as the same asset as the original Ordinary Shares, acquired at the same time and for the same price.

If you sell some or all of your Capitalisation Issue Shares this will, however, constitute a disposal for the purposes of CGT and may, depending on your individual circumstances, give rise to a tax liability.

Please note that neither the Company nor Computershare are able to provide tax information. For further tax advice you should contact your independent tax or financial adviser.

Is this a "scrip dividend"?

No. Scrip dividends typically arise where a company declares a dividend and the shareholder elects to receive the dividend in shares rather than cash.

Dealing Service

What is the dealing service that is being offered?

RBS are offering a free post Capitalisation Issue dealing service from 29 September 2008 for shareholders on the share register who hold their shares in certificated form (paper form) and do not wish to keep the Capitalisation Issue Shares allotted to them or wish to sell some of their existing ordinary shares. Shareholders can opt to sell up to a maximum of 250 shares (including Capitalisation Issue Shares) using this one off free dealing service. Details of the service together with participation forms will be sent to you with your share certificate for your Capitalisation Issue Shares on 19 September 2008.

Is the dealing service being offered to all shareholders?

No, the dealing service is only being offered to those shareholders who hold their shares in certificated form. If you hold your shares in electronic form, they will need to be converted into certificated form to participate.

The dealing service can only be offered to shareholders who hold their shares in certificated form in the following countries:-

Argentina	Germany	Mexico
Austria	Greece	Namibia
Belgium	Guinea	Netherlands
Botswana	Hungary	Norway
Brazil	Iceland	Paraguay
Bulgaria	Indonesia	Peru
Chile	Ireland	Poland
China	Isle of Man	Portugal
Cyprus	Jersey	Slovakia
Czech Republic	Korea	Slovenia
Denmark	Latvia	Spain
Estonia	Liechtenstein	Sweden
Finland	Luxembourg	Taiwan
France	Malta	United Kingdom

When does the dealing service commence?

The first tranche of shares will be sold on Monday 29 September 2008. Shareholders who wish to have their shares sold on this date must have provided their instruction to Computershare by 1.00pm on Friday 26 September 2008. Cut offs and trades will occur weekly thereafter on Fridays and Mondays.

How long will the dealing service be offered for?

The dealing service will be open for 10 weeks and will close at 1.00p.m on 28 November 2008 with the final sale being made on 1 December 2008 and the final proceeds are expected to be despatched to the relevant shareholders on 5 December 2008.

How much will it cost me to sell my Capitalisation Issue Shares?

The dealing service that RBS is offering will be at no cost to the shareholder. Each shareholder can sell up to a maximum of 250 shares using this service.

If I decide to use the dealing service, when will I receive a cheque for the proceeds of the sale?

The first tranche of shares will be sold on 29 September 2008. The sale proceeds from this sale will be sent to shareholders on 3 October 2008 together with a contract note for the sale.

If I use the dealing service, what price will my shares be sold at?

The first tranche of shares will be sold on Monday 29 September 2008 and shares will be sold on a weekly basis, in tranches, each Monday with proceeds being despatched 5 days after each sale tranche. There is no guarantee as to the price at which shares will be sold as all shares through the Dealing Service will be sold at the prevailing price on the Market on the day of sale.

Can I receive the sale proceeds in Euro or US dollars?

All proceeds despatched to shareholders through the Dealing Service will be issued on a sterling cheque drawn from an account with The Royal Bank of Scotland plc.

Do I need my share certificate to deal in my existing shares?

Yes. You will need to send your existing share certificate(s) to Computershare to cover the total number of shares which you have elected to sell if you want to take part in the Dealing Service.

There is normally a charge for replacing missing certificates however if you wish to use the Dealing Service to sell your existing or Capitalisation Issue shares there will be no charge for replacing missing certificates in respect of shareholdings totaling up to 100 shares. If you have lost your share certificate you will need to contact our Shareholder Helpline on 0870 702 0135.

Can I use the dealing service to buy shares?

The dealing service is being offered to assist shareholders to obtain cash in lieu of their Capitalisation Issue and existing ordinary shares. If you wish to buy shares, you should contact your broker for details of the services they provide.

I hold my shares in a nominee account. Can I use the dealing service?

No, as you are not a shareholder on the share register, you will not be able to use the dealing service. This applies to those shareholders who use the nominee service provided by Natwest Stockbrokers, Coutts Bank, Adam & Co and YourBank. If you wish to sell your Capitalisation Issue Shares and you hold those shares in a nominee account, you should contact your nominee who will provide details of their dealing services, which may be offered to you at a cost.

I hold my shares in an ADR. Can I use the dealing service?

No, the dealing service is being offered to certain shareholders on our share register. As ADR holders are not on the share register, they will not be able to participate in the dealing service. If you wish to sell your ADRs you should contact your broker.

Why is the dealing service being offered to Shareholders and not employee share plan participants?

The dealing service is not being offered to share plan participants in order to preserve the tax status of the plans by keeping all the shares in the plan.

For further information

You may contact our Shareholder Helpline on 0870 702 0135 (from inside the United Kingdom) or +44 870 702 0135 (from outside the United Kingdom) between 9.00 a.m. and 5.00 p.m. on any

London business day. For legal reasons, however, the Shareholder Helpline will be unable to provide financial, tax or investment advice and are unable to provide advice on the merit of the Dealing Service.

Any references in these FAQs to tax are for guidance only. Please seek independent tax advice if you are in any doubt as to your personal tax position.