

24 April 2012

The Royal Bank of Scotland Group plc ('RBS' or the 'Group')

2012 Annual General Meeting ('AGM')

Explanatory notes on Share Sub-division and Consolidation

At the Group's AGM on Wednesday 30 May 2012, resolutions will be proposed which, if approved, will sub-divide and consolidate the Group's ordinary shares, as set out in the Letter to shareholders. You can read the full details of resolutions 19 and 20 in the Letter to shareholders (containing Notice of the 2012 AGM). This note should not be regarded as a substitute for reading the full AGM documentation, including the Letter to shareholders and your personalised Form of Proxy. The purpose of this note is to introduce the proposals contained in the AGM documents which should be read before taking a decision. The AGM documentation is available to view online at www.rbs.com/agm

1. What is a share sub-division and consolidation?

The sub-division of ordinary shares and creation of deferred shares (see question 2 below) is a way for the Group to amend its nominal value of existing ordinary shares. On the completion of the sub-division and consolidation the nominal value of the Group's new ordinary shares will be 100p.

A share consolidation reduces the number of shares a company has in issue. Each shareholder exchanges a set number of existing shares for a set number of new shares. In this case, RBS shareholders will receive one new ordinary share for every ten existing ordinary shares. For an example, please see the table on page 9 of the Letter to shareholders.

2. What are deferred shares?

The deferred shares have no value and are simply a tool to enable the Group to undertake the share sub-division. The deferred shares will be surrendered for no value and cancelled by the Group immediately following the sub-division and consolidation.

3. Why is RBS doing this?

The Group currently has a very large number of ordinary shares in issue. This means that a small movement in the share price can result in large percentage movements and considerable volatility in the Group's shares. The Board believes that the sub-division and consolidation will result in a share price and nominal value more appropriate for a company of the Group's size in the UK market and may assist in reducing volatility, thereby enabling a more consistent valuation of the Group.

4. What does this mean for my shareholding?

After the consolidation, you will receive one new ordinary share for every ten existing ordinary shares held by you at the record date (1 June 2012). Even though you will hold fewer ordinary shares than before, your shareholding as a percentage of the total number of shares in issue will remain the same (shareholders with less than 10 shares, please see question 5).

5. What if my shareholding isn't exactly divisible by 10?

If your existing shareholding is not exactly divisible by 10, your entitlement to new ordinary shares will be rounded down to the nearest whole number of new ordinary shares. For example if you currently own 25 existing ordinary shares, you will receive a new share certificate for 2 new ordinary shares. Alternatively, if you hold shares in your own CREST account, it will be credited with 2 new ordinary shares. The remaining entitlement to 0.5 of a new ordinary share is your fractional entitlement.

All fractional entitlements to new ordinary shares will be aggregated and sold. Proceeds of less than £5 from the sale of fractional entitlements will be donated to ShareGift, a UK registered charity (No.1052686, www.sharegift.org). You will, however, be given the opportunity to request the proceeds in cash from the sale of your fractional entitlement when you are sent your new share certificate. Requests must be returned to the Registrar by close of business on Friday 31 August 2012.

If your current shareholding is less than 10 existing ordinary shares, you will not be entitled to a whole number of new ordinary shares following the consolidation. The Group will write to you after the AGM with confirmation of the fractional entitlement arising from the consolidation of your shareholding. The proceeds of sale of your fractional entitlement (if less than £5) will be donated to ShareGift as detailed above unless requested by you to be paid in cash. Requests must be returned to the Registrar by close of business on Friday 31 August 2012.

6. Do I need to send my old share certificates to RBS?

No, you do not need to send your share certificates to the Group or the Registrar. Following the sub-division and consolidation, you will receive a new share certificate representing your holding of new ordinary shares. From 6 June 2012, all ordinary share certificates previously issued to you will become invalid and can be destroyed on receipt of the new share certificate representing your new holding.

For those shareholders who are not entitled to a whole number of shares post sub-division and consolidation, the Group will write to you regarding your holding (see question 5).

7. Why have I received more than one notification of the AGM?

You may have more than one holding on the RBS Group register. In this circumstance, you may wish to contact the Registrar and consolidate your holding in advance of the Record Date (1 June 2012).

8. When will all this happen?

The AGM is on Wednesday 30 May 2012. Provided the resolutions are approved, the expected timetable is as follows:

1 June 2012	Record Date (date shareholders must be on the register to qualify for the sub-division and consolidation)
6 June 2012	Dealing in new ordinary shares expected to commence. New ordinary shares credited to CREST accounts on same day
15 June 2012	Expected date of posting of new share certificates

Please note that the first day of trading falls on Wednesday 6 June 2012 due to UK public holidays on Monday 4 and Tuesday 5 June 2012.

If you have not received your new share certificate by Monday 9 July 2012, please contact the Registrar, Computershare (details below).

9. I have more questions, who do I contact?

If you have any further queries regarding the above please contact the Registrar, Computershare, on: +44 (0) 870 702 0135 (8.30am to 5.30pm UK time, Monday to Friday – excluding UK public holidays).

Alternatively you can write to Computershare at the following address:-

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

Or by email at: rbsagm@computershare.co.uk

A note on the impact of the sub-division and consolidation on the Group's employee share schemes will be made available to share scheme participants separately.

If you are in any doubt as to what action you should take, you are recommended to seek immediately your own financial advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser, who is authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

If you have sold or transferred all your shares in The Royal Bank of Scotland Group plc, or do so prior to the record date on 1 June 2012, please pass this document and the accompanying documents to the stockbroker, bank or agent through whom you made the sale or transfer, for transmission to the purchaser or transferee.