

THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.

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 sell or have sold or otherwise transferred all of your Ordinary Shares (other than ex-rights) in certificated form before 15 May 2008 (the "Ex-Rights Date") please send this document, together with any Provisional Allotment Letter, if and when received, at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including but not limited to the United States and the Excluded Territories. If you sell or have sold or otherwise transferred all or some of your Existing Shares (other than ex-rights) held in uncertificated form before the Ex-Rights Date, a claim transaction will automatically be generated by Euroclear UK and Euroclear Nederland which, on settlement, will transfer the appropriate number of Nil Paid Rights or Euroclear Subscription Rights to the purchaser or transferee. If you sell or have sold or otherwise transferred only part of your holding of Existing Shares (other than ex-rights) held in certificated form before the Ex-Rights Date, you should refer to the instruction regarding split applications in Part III of this document and in the Provisional Allotment Letter.

This document, which comprises (i) a circular prepared in compliance with Listing Rules 13.4.3(3)-(5) of the UK Listing Authority made under Section 73A of the Financial Services and Markets Act 2000, (ii) a circular prepared for the purposes of the General Meeting convened pursuant to the Letter to Shareholders and (iii) a prospectus relating to the Rights Issue prepared in accordance with the Prospectus Rules of the UK Listing Authority made under Section 73A of the Financial Services and Markets Act 2000, has been approved by the Financial Services Authority (the "FSA") in accordance with Section 85 of the Financial Services and Markets Act 2000 and made available to the public in accordance with Rule 3.2 of the Prospectus Rules. The Company has requested the FSA provides a certificate of approval and a copy of this document to the relevant competent authority in the Netherlands, France, Germany, Ireland and Spain. Merrill Lynch International has acted as sponsor in relation to the circular and prospectus referred to in clauses (i) and (iii) above. Goldman Sachs International has acted as sponsor in relation to the prospectus referred to in clause (ii) above.

The Ordinary Shares are listed and traded on the London Stock Exchange's main market for listed securities and listed and traded on Euronext Amsterdam by NYSE Euronext ("Euronext Amsterdam"), the regulated market of Euronext Amsterdam N.V. ("Euronext"). Application will be made to the UK Listing Authority and to the London Stock Exchange for the New Shares to be admitted to the Official List of the UK Listing Authority and to trading on the main market for listed securities of the London Stock Exchange, respectively. It is expected that Admission will become effective and that dealings on the London Stock Exchange in the New Shares (nil paid) will commence at 8.00 a.m. (London time) on 15 May 2008. It is expected that dealings in the Euroclear Subscription Rights on Euronext Amsterdam will commence at 9.00 a.m. (CET) on 15 May 2008, and that admission to listing of the New Shares, fully paid, on Euronext Amsterdam will become effective and dealings will commence at 9.00 a.m. (CET) on 9 June 2008.



The Royal Bank of Scotland Group plc

(incorporated under the Companies Acts 1948 to 1967 and registered with Registered No. SC45551)

Proposed 11 for 18 Rights Issue of 6,123,010,462 New Shares at 200 pence per share

Goldman Sachs International

**Joint Financial Adviser, Joint Sponsor
and Joint Bookrunner**

Merrill Lynch International

**Joint Financial Adviser, Joint Sponsor
and Joint Bookrunner**

The Royal Bank of Scotland plc

Joint Bookrunner

**UBS Investment Bank
Co-Bookrunner**

The whole of this document should be read. Shareholders and any other persons contemplating a purchase of Nil Paid Rights, Fully Paid Rights, Euroclear Subscription Rights or New Shares should review the risk factors set out on pages 11 to 16 of this document for a discussion of certain factors that should be considered when deciding on what action to take in relation to the Rights Issue or deciding whether or not to purchase Nil Paid Rights, Euroclear Subscription Rights, Fully Paid Rights or New Shares.

The Nil Paid Rights, the Euroclear Subscription Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Shares have not been and will not be registered under the US Securities Act or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer in the United States.

Goldman Sachs International, Merrill Lynch International, UBS Limited and The Royal Bank of Scotland plc which are authorised and regulated in the United Kingdom by the Financial Services Authority, are acting for RBS and no one else in connection with the Rights Issue and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Rights Issue and will not be responsible to anyone other than RBS for providing the protections afforded to their respective clients or for providing advice in relation to the Rights Issue or any matters referred to in this document.

Apart from the responsibilities and liabilities, if any, which may be imposed on Goldman Sachs International, Merrill Lynch International, UBS Limited and The Royal Bank of Scotland plc by the Financial Services and Markets Act 2000, each of Goldman Sachs International, Merrill Lynch International, UBS Limited and The Royal Bank of Scotland plc accepts no responsibility whatsoever for the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with RBS, the Nil Paid Rights, the Euroclear Subscription Rights, the Fully Paid Rights or the New Shares or the Rights Issue. Goldman Sachs International, Merrill Lynch International, UBS Limited and The Royal Bank of Scotland plc accordingly disclaim all and any liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of this document or any such statement. Subject to the passing of Resolution 1, it is expected that Qualifying Non-CREST Shareholders will be sent a Provisional Allotment Letter on 14 May 2008, and that Qualifying CREST Shareholders will receive a credit to their appropriate stock accounts in CREST in respect of the Nil Paid Rights to which they are entitled on 15 May 2008. The Nil Paid Rights so credited are expected to be enabled for settlement by Euroclear UK as soon as practicable after Admission. Qualifying Euroclear Shareholders are expected to receive a credit to their appropriate securities accounts with Admitted Institutions in respect of the Euroclear Subscription Rights to which they are entitled on 15 May 2008. The Euroclear Subscription Rights so credited are expected to be enabled for settlement by Euroclear Nederland as soon as practicable after the start of trading of the Euroclear Subscription Rights on Euronext Amsterdam.

The Underwriters may, in accordance with applicable legal and regulatory provisions, engage in transactions in relation to the Nil Paid Rights, the Fully Paid Rights, the Ordinary Shares and/or related instruments for their own account for the purpose of hedging their underwriting exposure or otherwise. Except as required by applicable law or regulation, the Underwriters do not propose to make any public disclosure in relation to such transactions.

The latest time and date for acceptance and payment in full for the New Shares by holders of the Nil Paid Rights is expected to be 11.00 a.m. on 6 June 2008. The latest time and date for subscription for the New Shares by holders of Euroclear Subscription Rights is expected to be 3.00 p.m. (CET) on 3 June 2008. The latest time and date for delivery of Euroclear Subscription Rights and payment in full for the New Shares by holders of Euroclear Subscription Rights is 10.00 a.m. (CET) on 6 June 2008. The Euroclear Subscription Rights are expected to trade on Euronext Amsterdam until 1.00 p.m. (CET) on 3 June 2008. The procedures for delivery of the Nil Paid Rights, acceptance and payment are set out in Part III of this document and, for Qualifying Non-CREST Shareholders only, also in the Provisional Allotment Letter. Qualifying CREST Shareholders should refer to paragraph 2.2 of Part III of this document and Qualifying Euroclear Shareholders should refer to paragraph 2.3 of Part III of this document.

The Nil Paid Rights, the Euroclear Subscription Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state's securities commission in the United States or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Nil Paid Rights, the Euroclear Subscription Rights, the Fully Paid Rights or the New Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence.

Subject to certain exceptions, this document does not constitute an offer of Nil Paid Rights, Euroclear Subscription Rights, Fully Paid Rights or New Shares to any person with a registered address, or who is resident, in the United States or the Excluded Territories. The Nil Paid Rights, the Euroclear Subscription Rights, the Fully Paid Rights, the New Shares and the Provisional Allotment Letters have not been and will not be registered under the relevant laws of any state, province or territory of the United States or any Excluded Territories and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States or any Excluded Territory except pursuant to an applicable exemption.

Goldman Sachs International, Merrill Lynch International, UBS Limited and The Royal Bank of Scotland plc may arrange for the offer of New Shares in the United States not taken up in the Rights Issue only to persons reasonably believed to be "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act ("QIBs") in reliance on an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. The New Shares, the Nil Paid Rights, the Euroclear Subscription Rights, and the Fully Paid Rights offered outside the United States are being offered in reliance on Regulation S under the US Securities Act.

In addition, until 40 days after the commencement of the Rights Issue, an offer, sale or transfer of the New Shares, the Nil Paid Rights, the Euroclear Subscription Rights, the Fully Paid Rights or the Provisional Allotment Letters within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the US Securities Act.

All Overseas Shareholders and any person (including, without limitation, a nominee or trustee) who has a contractual or legal obligation to forward this document or any Provisional Allotment Letter, if and when received, or other document to a jurisdiction outside the United Kingdom should read paragraph 2.6 of Part III of this document.

NOTICE TO NEW HAMPSHIRE RESIDENTS: NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Notice to Canadian Investors

The distribution of securities offered in Canada pursuant to this document is being made in each of the Provinces of Canada (individually, a “Canadian Jurisdiction” and collectively, the “Canadian Jurisdictions”) as part of an international rights offering. The securities offered by this document will be distributed under exemptions from the prospectus and registration requirements of applicable securities laws in each of the Canadian Jurisdictions. Any certificates representing the securities offered pursuant to this document may bear legends required or desirable under applicable securities laws or policies.

Any resale of the securities offered hereby will be restricted and must be made in accordance with, or pursuant to exemptions from, the prospectus and registration requirements available under applicable securities laws of the Canadian Jurisdictions. Canadian readers are advised to seek legal advice prior to any resale of the securities offered hereby.

By its receipt of this document, each Canadian investor confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme paries présentes qu’il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit a la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d’achat ou tout avis) soient rédigés en anglais seulement.*

The Offering in the Canadian Jurisdictions is being made solely by this document and no person has been authorized to give any information or to make any representation other than as provided for herein.

Canadian readers should be aware that the financial statements and other financial information contained in this document have been prepared in accordance with International Financial Reporting Standards and thus may not be comparable to financial statements and financial information of Canadian companies. Holding and disposing of the securities offered under this document may have tax consequences in Canada and other jurisdictions that are not described in this document. Canadian readers are advised to consult their tax advisors.

RBS is formed under the laws of a jurisdiction outside of Canada. All of the directors and officers of RBS may be located outside of Canada and, as a result, it may not be possible for purchasers to effect service of process within Canada upon RBS or such persons. All or a substantial portion of the assets of RBS may be located outside of Canada and, as a result, it may not be possible for purchasers to satisfy or collect a judgement in Canada against RBS or its directors and officers or to enforce a judgement obtained in Canadian courts against RBS or such persons outside of Canada.

Notice to Japanese Investors

The Rights Issue of New Shares offered hereby has not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the “Financial Instruments and Exchange Law”). Accordingly, each Joint Sponsor and Joint Underwriter has represented, warranted and agreed that the New Shares which it subscribes will be subscribed by it as principal and that, in connection with the offering made hereby, it will not, directly or indirectly, offer or sell any New Shares in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exception from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and other relevant laws and regulations of Japan.

Notice to Singaporean Investors

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Nil Paid Rights, Euroclear Subscription Rights, Fully Paid Rights or New Shares may not be circulated or distributed, nor may the Nil Paid Rights, Euroclear Subscription Rights, Fully Paid Rights or New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) holders of Existing Shares or (ii) pursuant to, and in accordance with, the conditions of an exemption under any provision of Subdivision (4) of Division 1 of Part XIII of the Securities and Futures Act, Chapter 289 of Singapore.

Notice to all Investors

Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information contained in this document for any purpose other than considering an investment in the Nil Paid Rights, the Euroclear Subscription Rights, the Fully Paid Rights or the New Shares is prohibited. By accepting delivery of this document, each offeree of the Nil Paid Rights, the Euroclear Subscription Rights, the Fully Paid Rights and/or the New Shares agrees to the foregoing.

The distribution of this document and/or the Provisional Allotment Letters and/or the transfer of the Nil Paid Rights, the Euroclear Subscription Rights, the Fully Paid Rights and/or the New Shares into jurisdictions other than the United Kingdom, the Netherlands, France, Germany, Ireland and Spain may be restricted by law. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, such documents should not be distributed, forwarded to or transmitted in or into the United States or the Excluded Territories. The Nil Paid Rights, the Euroclear Subscription Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Shares are not transferable, except in accordance with, and the distribution of this document is subject to, the restrictions set out in paragraph 2.6 of Part III of this document. No action has been taken by RBS or by the Underwriters that would permit an offer of the New Shares or rights thereto or possession or distribution of this document or any other offering or publicity material or the Provisional Allotment Letters, the Nil Paid Rights, the Euroclear Subscription Rights, or the Fully Paid Rights in any jurisdiction where action for that purpose is required, other than in the United Kingdom, the Netherlands, France, Germany, Ireland and Spain.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by RBS or by the Underwriters. Neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of RBS since the date of this document or that the information in this document is correct as at any time subsequent to its date.

Following the announcement of the Rights Issue, RBS and ABN AMRO, through certain identifiable business units, and certain of their affiliates, have engaged, and intend to continue to engage, in various dealing and brokerage activities involving Ordinary Shares. Certain asset management companies, insurance companies, trustees and personal representatives and banking units that are affiliates of RBS and ABN AMRO have purchased and sold, and intend to continue to purchase and sell, Ordinary Shares and derivatives as part of their ordinary investing activities. ABN AMRO, through an affiliate, has made a market, from time to time, and continues to make a market, from time to time, in Ordinary Shares by purchasing and selling Ordinary Shares for its own account in the United Kingdom on the London Stock Exchange. RBS and ABN AMRO, through certain market-making and derivatives business units, have also engaged, and intend to continue to engage, in the issuance, purchase and sale of derivatives (such as options, warrants and other instruments) relating to Ordinary Shares for RBS's and ABN AMRO's accounts and accounts of RBS's and ABN AMRO's customers, as well as in purchases and sales of Ordinary Shares for the purpose of hedging the positions established in connection with the market-making and derivatives activities relating to Ordinary Shares entered into by RBS and ABN AMRO and their respective customers. RBS and ABN AMRO, through their respective brokerage business units, have also engaged, and intend to continue to engage, in unsolicited brokerage transactions in Ordinary Shares with RBS's and ABN AMRO's customers. These activities occurred and are expected to continue to occur in the United Kingdom, the Netherlands, elsewhere in Europe and elsewhere outside the United States. Citizens has also engaged and may continue to engage in unsolicited brokerage transactions in Ordinary Shares in the United States. All of these activities could have the effect of preventing or retarding a decline in the market price of the Ordinary Shares. RBS and ABN AMRO have sought and received from the US Securities and Exchange Commission certain exemptive relief from Regulation M in order to permit its identifiable business units and affiliates to engage in the foregoing activities during the Regulation M restricted period.

Without limitation, the contents of the websites of the Group do not form part of this document.

Capitalised terms have the meanings ascribed to them in Part XIV of this document.

WHERE TO FIND HELP

Part II of this document answers some of the questions most often asked by shareholders about rights issues. If you have further questions, please telephone the Shareholder Helpline on the numbers set out below. This helpline is available from 9.00 a.m. to 5.00 p.m. Monday to Friday (except bank holidays) and will remain open until 6 June 2008.

Shareholder Helpline

0870 702 0135 (from inside the United Kingdom)

or +44 870 702 0135 (from outside the United Kingdom),

or for holders of Euroclear Subscription Rights: +31 20 383 6707

Please note that, for legal reasons, the Shareholder Helpline will only be able to provide information contained in this document and information relating to RBS's register of members and will be unable to give advice on the merits of the Rights Issue or to provide financial, tax or investment advice.

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SUMMARY

The following summary information should be read as an introduction to the more detailed information appearing elsewhere in this document. Any investment decision relating to the Rights Issue should be based on the consideration of the document as a whole and not solely on this summarised information. Where a claim relating to the information contained in this document is brought before a court in a member state of the European Economic Area, the claimant may, under the national legislation of that member state where the claim is brought, be required to bear the costs of translating this document before legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation of this summary, but only if this summary is misleading, inaccurate or inconsistent when read together with other parts of this document.

1 Background to and reasons for the Rights Issue

On 22 April 2008, RBS announced a rights issue to raise proceeds of £12bn, net of expenses, to increase its capital base. RBS also announced revised targets for its capital ratios, estimated write-downs for capital planning purposes, planned disposals and proposals relating to the 2008 interim dividend, and gave details of its current trading performance.

RBS's capital plan had assumed that it would maintain its Tier 1 capital ratio in the range 7 per cent. to 8 per cent. and that it would rebuild its core Tier 1 capital ratio towards 5 per cent. by 2010. At the time of its 2007 results announcement RBS confirmed that it was operating within the parameters of this plan.

The balance of risks and opportunities inherent in this plan have been under continual review. However, in the light of developments during March including the severe and increasing deterioration in credit market conditions, the worsening economic outlook and the increased likelihood that credit markets could remain difficult for some time, the Board has concluded that it is now appropriate for RBS to accelerate its plans to increase its capital ratios and to move to a higher target range to reflect the generally weakened business environment.

Reflecting these factors, the Board has raised its target range for the Group's Tier 1 capital ratio to 7.5 per cent. to 8.5 per cent. and has set a target for the core Tier 1 capital ratio of in excess of 6 per cent. at 31 December 2008 on a proportional consolidated basis⁽¹⁾.

Having identified these targets it was clear that, whilst acknowledging with regret the demands this would place on Shareholders, the most appropriate way of reaching them more quickly was through a rights issue. In considering the size of the Rights Issue the Board, as well as having regard to the potential business performance, made an assessment, based on current knowledge, of the likely quantum of write-downs in 2008 in respect of the deterioration in credit markets and the potential for gains from full or partial disposals.

For capital planning purposes, the Board has used the values detailed in paragraph 3 of Part I of this document as the basis for its estimates of write-downs in 2008 in respect of certain credit market exposures. These estimates are based on what the Board considers to be prudent assumptions reflecting the further sharp deterioration in market conditions and outlook in credit markets at this point.

As part of an ongoing exercise, in the context of its decision to increase capital levels, the Board has identified for possible whole or partial disposal RBS Insurance and other smaller assets which are not central to the very strong UK and international banking franchises that RBS has built. RBS is determined to achieve full and fair value in respect of any such disposals. At this stage RBS has assumed in its capital plan that a £4bn increase in core Tier 1 capital by the end of 2008 can be achieved in this way, although there is scope for fewer disposals to be made, whilst still exceeding the target core Tier 1 ratio of 6 per cent.

In addition, RBS envisages containing the capital demands of certain business lines, including Global Banking & Markets, through active management of its balance sheet.

Taking the above into account and having regard to the outlook for retained profits and the impact of active balance sheet management, the Board has determined that it is appropriate to raise £12bn

(1) Previous guidance referred to 7 per cent. to 8 per cent. for Tier 1 capital ratio, with 25 per cent. to 30 per cent. preference share content, but with no target set for core Tier 1 capital ratio.

through the Rights Issue, with the effect of achieving a Tier 1 capital ratio in excess of 8 per cent. and a core Tier 1 capital ratio in excess of 6 per cent. by year end on a proportional consolidated basis.

2 Current trading and prospects

The operating performance of many of RBS's businesses since the beginning of 2008 has remained good, but results have been held back by the effects of the continuing deterioration in credit markets, which has resulted in additional write-downs on credit market exposures in the first quarter. Some Global Banking & Markets businesses have experienced a reduced level of activity, although others continue to perform well, as do Global Transaction Services and Regional Markets. Overall, the Group's underlying results, excluding write-downs have remained satisfactory.

In a more uncertain environment for its customers, RBS has continued to benefit from strong growth in personal and corporate deposits and good growth in lending. Group net interest margin in the quarter was slightly lower reflecting increased funding costs partially offset by stronger new business margins in some lending products.

Overall credit risk metrics have remained stable in the first quarter, with a continued decline in UK personal sector impairment losses but increased delinquencies in a specific US retail portfolio. Corporate credit quality remains broadly stable.

The outlook is inevitably clouded by the disruption to markets, as a result of which volumes are likely to be significantly lower in some areas of Global Banking & Markets. However, other areas of Global Banking & Markets, and most of the Group's other businesses, are making good progress, taking advantage of the opportunities that have become available in this changed environment to achieve profitable growth at good risk-adjusted rates of return. The Group is now better positioned in growth economies and has many additional opportunities to exploit its enhanced presence, customer franchises and product capabilities.

With reinforced capital ratios, the Group will be in a stronger position to navigate through an economic environment that remains uncertain and well-placed to take advantage of the growth opportunities available to it.

3 Principal terms of the Rights Issue

The Company is proposing to offer 6,123,010,462 New Shares by way of rights to Qualifying Shareholders at 200 pence per New Share, payable in full on acceptance by no later than 11.00 a.m. on 6 June 2008. The Rights Issue is expected to raise approximately £12bn, net of expenses. The Rights Issue will be on the basis of 11 New Shares for every 18 Existing Shares. The Issue Price represents a 34.9 per cent. discount to the theoretical ex-rights price based on the closing middle-market price of 372.5 pence per Ordinary Share on 21 April 2008 (being the last business day before the announcement of the terms of the Rights Issue). The Rights Issue is being made to all Qualifying Shareholders on the register of members of the Company at the close of business on 9 May 2008.

The Rights Issue is fully underwritten by Goldman Sachs International, Merrill Lynch International, UBS and the other Underwriters pursuant to the Underwriting Agreement, the principal terms of which are summarised in paragraph 18 of Part XII of this document. The Rights Issue is conditional, *inter alia*, on:

- (i) the Underwriting Agreement having become unconditional in all respects, save for the condition relating to Admission;
- (ii) Admission becoming effective by not later than 8.00 a.m. on 19 May 2008 (or such later time and date as the parties to the Underwriting Agreement may agree); and
- (iii) the passing without amendment of Resolution 1.

It is expected that Admission will occur and that dealings in the New Shares (nil paid) will commence on the London Stock Exchange at 8.00 a.m. on 15 May 2008.

The latest time and date for acceptance and payment in full under the Rights Issue is expected to be 11.00 a.m. on 6 June 2008.

The latest time and date for subscription for the New Shares by holders of Euroclear Subscription Rights is expected to be 3.00 p.m. (CET) on 3 June 2008.

The latest time and date for delivery of Euroclear Subscription Rights and payment in full for the New Shares by holders of Euroclear Subscription Rights is 10.00 a.m. (CET) on 6 June 2008. The Euroclear Subscription Rights are expected to commence trading on Euronext Amsterdam at 9.00 a.m. (CET) on 15 May 2008 until 1.00 p.m. (CET) on 3 June 2008.

4 Selected financial information on RBS

The data for the three-year period ended 31 December 2007 set out below have been extracted without material adjustment from, and should be read together with, RBS's audited consolidated financial statements, which were prepared in accordance with IFRS, included in its Annual Report and Accounts for the year ended 31 December 2007. The per share data for 2006 and 2005 have been restated to reflect the two-for-one bonus share issue in May 2007.

	As of and for the year ended 31 December		
	2007	2006	2005
	<i>(millions, except per share data, percentages and ratios)</i>		
	(£)	(£)	(£)
Key income statement data			
Total income ⁽¹⁾	31,115	28,002	25,902
Operating expenses ⁽²⁾⁽³⁾⁽⁴⁾	14,435	12,480	11,946
Profit before other operating charges and impairment losses	16,680	15,522	13,956
Operating profit before tax	9,900	9,186	7,936
Profit for the year	7,712	6,497	5,558
Profit attributable to ordinary shareholders	7,303	6,202	5,392
Key balance sheet data			
Total assets	1,900,519	871,432	776,827
Owners' equity	53,038	40,227	35,435
Other key financial data			
Earnings per ordinary share (pence)	76.4	64.9	56.5
Diluted earnings per ordinary share (pence) ⁽⁵⁾	75.7	64.4	56.1
Dividends per ordinary share paid (pence)	32.2	25.8	20.2
Dividend payout ratio ⁽⁶⁾	43%	45%	41%
Tier 1 capital ratio	7.3%	7.5%	7.6%
Total capital ratio	11.2%	11.7%	11.7%

Notes:

- (1) Includes gain on sale of strategic investment of £333m in 2005.
- (2) Includes loss on sale of subsidiaries of £93m in 2005.
- (3) Includes integration expenditure of £108m for the year ended 31 December 2007 (2006: £134m; 2005: £458m).
- (4) Includes purchased intangibles amortisation of £274m for the year ended 31 December 2007 (2006: £94m; 2005: £97m).
- (5) All the convertible preference shares had a dilutive effect and as such have been included in the computation of diluted earnings per share.
- (6) Dividend payout ratio represents the interim dividend paid and current year final dividend proposed as a percentage of profit attributable to ordinary shareholders before discontinued operations, integration costs, amortisation of purchased intangibles and net gain on sale of strategic investments and subsidiaries (net of tax).

5 Summary of risk factors

Shareholders should carefully consider the following key risks.

Risks related to RBS

- RBS's business and earnings may be affected by general business and geopolitical conditions.
- Changes in interest rates, foreign exchange rates, bond and equity prices and other market factors have affected and will continue to affect RBS's business.
- RBS's borrowing costs and its access to the debt capital markets depend significantly on its credit ratings.
- RBS's business performance could be affected if its capital is not managed effectively.
- The value of certain financial instruments recorded at fair value is determined using financial models incorporating assumptions, judgements and estimates which may change over time.
- RBS's future earnings could be affected by depressed asset valuations resulting from poor market conditions.
- The value or effectiveness of any credit protection which RBS has purchased from monoline insurers may fluctuate depending on the financial condition of the insurer.
- Liquidity risk is inherent in RBS's operations.
- The financial performance of RBS may be affected by borrower credit quality.
- Each of the Group's businesses is subject to substantial regulation and oversight. Any significant regulatory developments could have an effect on how the Group conducts its business and on its results of operations.
- RBS is subject to litigation and regulatory investigations which may impact its business.
- Operational risks are inherent in RBS's operations.
- RBS is exposed to the risk of changes in tax legislation and its interpretation and to increases in the rate of corporate and other taxes in the jurisdictions in which it operates.
- RBS's insurance businesses are subject to inherent risks involving claims.
- RBS's future earnings and shareholder value in part depend on strategic decisions regarding organic growth and potential acquisitions and disposals.
- Proposals for the restructuring of ABN AMRO are complex and may not realise the anticipated benefits for RBS.

Risks relating to the Rights Issue and the New Shares

- RBS's share price will fluctuate.
- An active trading market in the Nil Paid Rights and/or Euroclear Subscription Rights may not develop.
- RBS's ability to continue to pay dividends will depend on the level of profits and cash flows generated by the Group.
- Shareholders who do not acquire New Shares in the Rights Issue will experience dilution in their ownership of RBS.
- If the Company is unable to complete the Rights Issue, it may be required to find alternative methods of increasing its core Tier 1 and Tier 1 capital ratios.
- Holders of Euroclear Subscription Rights may be exposed to currency fluctuations as Euroclear Subscription Rights will be traded in euros, but payment to the Company must be made in pounds sterling.

RISK FACTORS

The following risks should be considered carefully by Shareholders when deciding whether or not to take up rights in the Rights Issue.

This section addresses the existing and future material risks to RBS's business. The risks below are not the only ones that RBS will face. Some risks are not yet known and some that are not currently deemed material could later turn out to be material. All of these risks could materially affect RBS, its income, operating profits, earnings, net assets, liquidity and capital resources. In such a case, the market price of Ordinary Shares may decline and Shareholders could lose all or part of their investment. Shareholders should read this section in conjunction with the Letter from the Chairman of RBS contained in Part I of this document.

RISKS RELATED TO RBS

RBS's business and earnings may be affected by general business and geopolitical conditions.

The performance of RBS is significantly influenced by the economic conditions of the countries in which it operates, particularly the United Kingdom, the United States and Europe. A downturn in these economies, including any further deterioration in the US real estate or other markets, could result in a general reduction in business activity and a consequent loss of income for RBS. It could also cause a higher incidence of impairments and trading losses in RBS's lending, trading and other portfolios. Geopolitical conditions can also affect RBS's earnings. Terrorist acts and threats and the response of governments in the United Kingdom, the United States and elsewhere to them could affect the level of economic activity. RBS's businesses could also be exposed to the risk of business interruption and economic slowdown following the outbreak of a pandemic.

Changes in interest rates, foreign exchange rates, bond and equity prices, and other market factors have affected and will continue to affect RBS's business.

The most significant market risks RBS faces are interest rate, foreign exchange and bond and equity price risks. Changes in interest rate levels, yield curves and spreads may affect the interest rate margin realised between lending and borrowing costs. Changes in currency rates, particularly in the sterling-US dollar and sterling-euro exchange rates, affect the value of assets and liabilities denominated in foreign currencies and the reported earnings of RBS's non-UK subsidiaries (principally ABN AMRO, Citizens, RBS Greenwich Capital and Ulster Bank) and may affect income from foreign exchange dealing. The performance of financial markets may affect bond and equity prices and, therefore, cause changes in the value of RBS's investment and trading portfolios. While RBS has implemented risk management methods to mitigate and control these and other market risks to which it is exposed, it is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on RBS's financial performance and business operations.

RBS's borrowing costs and its access to the debt capital markets depend significantly on its credit ratings.

On 22 April 2008, Standard & Poor's rating service affirmed the long-term rating of the Group as "AA –" with a negative outlook. However, on that same day, Moody's rating service announced that it was placing the long-term ratings of NatWest, RBS plc, the subsidiaries of Citizens and the Group under review for possible downgrade and Fitch Ratings downgraded the Group to "AA" with a stable outlook. A reduction in the long-term credit ratings of RBS or one of its principal subsidiaries may increase its borrowing costs, limit its access to the capital markets and trigger additional collateral requirements in derivative contracts and other secured funding arrangements. Credit ratings are also important to RBS when competing in certain markets, such as longer-term over-the-counter derivatives. Therefore, further reductions in RBS's credit ratings could adversely affect its access to liquidity and competitive position and, hence, negatively impact its earnings.

RBS's business performance could be affected if its capital is not managed effectively.

RBS's capital is critical to its ability to operate its businesses, to grow organically and to take advantage of strategic opportunities. RBS is required by regulators in the United Kingdom, the United States and the Netherlands, and in other jurisdictions in which it undertakes regulated activities, to maintain adequate capital. Although RBS mitigates the risk of not meeting capital adequacy requirements by

careful management of its balance sheet and capital, through capital-raising activities, disciplined capital allocation and the hedging of capital currency exposures, any change that limits its ability effectively to manage such resources (including, for example, reductions in profits and retained earnings as a result of write-downs or otherwise, delays in the disposal of certain assets or the inability to syndicate loans as a result of market conditions or otherwise) could have a material adverse impact on its financial condition and regulatory capital position.

The value of certain financial instruments recorded at fair value is determined using financial models incorporating assumptions, judgements and estimates which may change over time.

Under IFRS, RBS recognises at fair value: (i) financial instruments classified as “held-for-trading” or “designated as at fair value through profit or loss”, (ii) financial assets classified as “available-for-sale” and (iii) derivatives, each as further described in “Accounting Policies” on pages 124-139 of the RBS Annual Report and Accounts for 2007 which is incorporated by reference herein. Generally, in order to establish the fair value of these instruments, RBS relies on quoted market prices or, where the market for a financial instrument is not sufficiently active, internal valuation models that utilise observable market data. In certain circumstances, the data for individual financial instruments or classes of financial instrument utilised by such valuation models may not be available or may become unavailable due to changes in market conditions, as has been the case over the past several months. In such circumstances, RBS’s internal valuation models require RBS to make assumptions, judgements and estimates in order to establish fair value. In common with other financial institutions, these internal valuation models are complex, and the assumptions, judgements and estimates RBS is required to make often relate to matters that are inherently uncertain, such as expected cash flows, the ability of borrowers to service debt, house price appreciation and depreciation, and relative levels of defaults and deficiencies. Such assumptions, judgements and estimates may need to be updated to reflect changing trends and market conditions. The resulting change in the fair values of the financial instruments could have a material adverse effect on RBS’s earnings.

RBS’s future earnings could be affected by depressed asset valuations resulting from poor market conditions.

Financial markets are sometimes subject to significant stress conditions where steep falls in perceived or actual asset values are accompanied by a severe reduction in market liquidity, as exemplified by recent events affecting asset-backed CDOs, the US sub-prime residential mortgage market and leveraged finance. In dislocated markets, hedging and other risk management strategies may not be as effective as they are in normal market conditions due, in part, to the decreasing credit quality of hedge-counterparties, including monoline insurers. Severe market events are difficult to foresee and, if they continue to occur, could result in RBS incurring significant losses. In 2007, RBS recorded material write-downs on its credit market positions, principally on its US residential mortgage and monoline exposures. For capital planning purposes, RBS has estimated, based on current information, further significant write-downs in these and other exposures, as further described in Part I of this document. As market conditions change, the fair value of these exposures could fall further than currently estimated and therefore result in additional write-downs. Moreover, recent market volatility and illiquidity has made it difficult to value certain of RBS’s exposures. Valuations in future periods, reflecting then-prevailing market conditions, may result in significant changes in the fair values of the Group’s exposures, even in respect of exposures, such as credit market exposures, for which the Group has previously recorded or estimated write-downs. In addition, the value ultimately realised by RBS will depend on the fair value as determined at that time and may be materially different from the current or estimated fair value. Any of these factors could require RBS to recognise further write-downs or realise impairment charges, any of which may adversely affect its financial condition and results of operations.

The value or effectiveness of any credit protection which RBS has purchased from monoline insurers may fluctuate depending on the financial condition of the insurer.

RBS’s credit exposure to the monoline sector arises from over-the-counter derivative contracts – mainly credit default swaps (“CDS”) which are carried at fair value. The fair value of these CDSs, and RBS’s exposure to the risk of default by the underlying counterparties, depends on the valuation and the perceived credit risk of the instrument against which protection has been bought. Towards the end of 2007, monoline insurers were adversely affected by their exposure to US residential mortgage-linked products. If the financial condition of these counterparties or their perceived credit worthiness

deteriorates further, RBS could record further credit valuation adjustments on the CDSs bought from monoline insurers in addition to those already recorded, as described in Part I of this document.

Liquidity risk is inherent in RBS's operations.

Liquidity risk is the risk that RBS will be unable to meet its obligations as they fall due. This risk is inherent in banking operations and can be heightened by a number of enterprise-specific factors such as an over-reliance on a particular source of funding, changes in credit ratings or by market-wide phenomena such as market dislocation and major disasters. RBS's liquidity management focuses on maintaining a diverse and appropriate funding strategy for its operations, in controlling the mismatch of maturities and on carefully monitoring its undrawn commitments and contingent liabilities. However, RBS's ability to access sources of liquidity during periods of liquidity stress (such as have been experienced in recent months), including through the issue or sale of complex financial and other instruments, may be constrained as a result of current and future market conditions. Furthermore, there is a risk that corporate and institutional counterparties with credit exposures may look to consolidate their exposure to the enlarged Group. No statement contained in this risk factor should be taken as qualifying the statements made as to sufficiency of working capital on page 134 of this document.

The financial performance of RBS may be affected by borrower credit quality.

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of RBS's businesses. Adverse changes in the credit quality of RBS's borrowers and counterparties, or in their behaviour, or a general deterioration in the UK, US, European or global economic conditions, or arising from systemic risks in the financial systems, could affect the recoverability and value of RBS's assets and require an increase in the provision for impairment losses and other provisions.

Each of the Group's businesses is subject to substantial regulation and oversight. Any significant regulatory developments could have an effect on how the Group conducts its business and on its results of operations.

The Group is subject to financial services laws, regulations, administrative actions and policies in each location in which it operates, all of which are subject to change. For example, the move from Basel I to Basel II on 1 January 2008 resulted in certain definitional changes in the way risk-weighted assets are calculated and RBS continues to work with regulators to refine the methods by which the calculation of risk-weighted assets is made. The change also impacted the way certain deductions to regulatory capital were applied.

Other areas where governmental policies and regulatory changes could have an adverse impact include, but are not limited to:

- the monetary, interest rate and other policies of central banks and regulatory authorities;
- general changes in government or regulatory policy or changes in regulatory regimes that may significantly influence investor decisions in particular markets in which RBS operates or may increase the costs of doing business in those markets;
- other general changes in the regulatory requirements, such as prudential rules relating to the capital adequacy framework;
- changes in competition and pricing environments;
- further developments in the financial reporting environment;
- expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; and
- other unfavourable political, military or diplomatic developments producing social instability or legal uncertainty which, in turn, may affect demand for RBS's products and services.

Further changes to the regulatory requirements applicable to the Group, in particular in the United Kingdom, the United States and the Netherlands, whether resulting from recent events in the credit markets or otherwise, could materially affect its business, the products and services it offers and the value of its assets.

RBS is subject to litigation and regulatory investigations which may impact its business.

RBS and its subsidiaries operate in a legal and regulatory environment that exposes them to potentially significant litigation and regulatory risks. As a result, RBS and its subsidiaries are involved in various disputes and legal proceedings in the United Kingdom, the United States and other jurisdictions, including litigation and regulatory investigations. Such cases are subject to many uncertainties, and their outcome is often difficult to predict, particularly in the earlier stages of a case or investigation. Adverse regulatory action against the Group or adverse judgements in litigation to which the Group is a party could result in restrictions or limitations on the Group's operations or result in a material adverse effect on the Group's reputation or results of operations. Currently, the Group is responding to regulatory inquiries and investigations and is involved in litigation arising from its operations. For details about certain litigation and regulatory investigations in which RBS is involved, see paragraph 16 of Part XII.

Operational risks are inherent in RBS's operations.

RBS's operations are dependent on the ability to process a very large number of transactions efficiently and accurately. Operational losses can result from fraud, errors by employees, failure to document transactions properly or to obtain proper authorisation, failure to comply with regulatory requirements and conduct of business rules, equipment failures, natural disasters or the failure of external systems, including those of RBS's suppliers or counterparties. Although RBS has implemented risk controls and loss mitigation actions, and substantial resources are devoted to developing efficient procedures and to staff training, it is not possible to be certain that such procedures will be effective in controlling each of the operational risks faced by RBS. Notwithstanding anything contained in this risk factor, it should not be taken as implying that either the Company or the Group will be unable to comply with its obligations as a company with securities admitted to the Official List or as a supervised firm regulated by the FSA.

RBS is exposed to the risk of changes in tax legislation and its interpretation and to increases in the rate of corporate and other taxes in the jurisdictions in which it operates.

RBS's activities are subject to tax at various rates around the world computed in accordance with local legislation and practice. Action by governments to increase tax rates or to impose additional taxes would reduce the profitability of RBS. Revisions to tax legislation or to its interpretation might also affect RBS's results in the future.

RBS's insurance businesses are subject to inherent risks involving claims.

Future claims in RBS's general and life assurance business may be higher than expected as a result of changing trends in claims experience resulting from catastrophic weather conditions, demographic developments, changes in mortality and other causes outside RBS's control. Such changes would affect the profitability of current and future insurance products and services. RBS reinsures some of the risks it has assumed and is accordingly exposed to the risk of loss should its reinsurers become unable or unwilling to pay claims made by the Group against them.

RBS's future earnings and shareholder value in part depend on strategic decisions regarding organic growth and potential acquisitions and disposals.

RBS devotes substantial management and planning resources to the development of strategic plans for organic growth and identification of possible acquisitions and disposals. In addition, the Group's strategic plans are also supported by substantial expenditure to generate organic growth in customer business. If these strategic plans, including the planned disposals discussed in Part I of this document, do not meet with success or fail to achieve the results expected, RBS's earnings could grow more slowly or decline and its growth prospects may be impaired.

Proposals for the restructuring of ABN AMRO are complex and may not realise the anticipated benefits for RBS.

The restructuring plan in place for the integration and separation of ABN AMRO into and among the businesses and operations of the Consortium Banks is complex involving substantial reorganisation of ABN AMRO's operations and legal structure. In addition, it contemplates activities taking place simultaneously in a number of businesses and jurisdictions. Implementation of the reorganisation and the realisation of the forecast benefits within the planned timescales will be challenging. Execution of the restructuring requires management resources previously devoted to RBS businesses and the retention

of appropriately skilled ABN AMRO staff. RBS may not realise the benefits of the acquisition or the restructuring when expected or to the extent projected.

RISKS RELATING TO THE RIGHTS ISSUE AND THE NEW SHARES

RBS's share price will fluctuate.

The market price of the New Shares (including the Nil Paid Rights, the Euroclear Subscription Rights, and the Fully Paid Rights) and/or the Ordinary Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding the New Shares (including the Nil Paid Rights, the Euroclear Subscription Rights, and the Fully Paid Rights) and/or the Ordinary Shares (or securities similar to them). Such risks depend on the market's perception of the likelihood of completion of the Rights Issue, and/or in response to various facts and events, including any regulatory changes affecting the Group's operations, variations in the Group's operating results, business developments of the Group and/or its competitors. Stock markets have, from time to time, experienced significant price and volume fluctuations that have affected the market prices for securities and which may be unrelated to the Group's operating performance or prospects. Furthermore, the Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the New Shares (including the Nil Paid Rights, the Euroclear Subscription Rights, and the Fully Paid Rights) and/or the Ordinary Shares.

An active trading market in the Nil Paid Rights and/or Euroclear Subscription Rights may not develop.

An active trading market in the Nil Paid Rights and/or Euroclear Subscription Rights may not develop on the London Stock Exchange and/or Euronext Amsterdam, respectively, during the trading period. In addition, because the trading price of the Nil Paid Rights and the Euroclear Subscription Rights depends on the trading price of the Ordinary Shares, the Nil Paid Rights and the Euroclear Subscription Rights price may be volatile and subject to the same risks as noted elsewhere herein.

RBS's ability to continue to pay dividends will depend on the level of profits and cash flows generated by the Group.

Under UK company law, a company can only pay cash dividends to the extent that it has distributable reserves and cash available for this purpose. As a holding company, RBS's ability to pay dividends in the future is affected by a number of factors, principally its ability to receive sufficient dividends from subsidiaries. The payment of dividends to RBS by its subsidiaries is, in turn, subject to restrictions, including certain regulatory requirements and the existence of sufficient distributable reserves and cash in RBS's subsidiaries.

The ability of these subsidiaries to pay dividends and RBS's ability to receive distributions from its investments in other entities are subject to applicable local laws and regulatory requirements and other restrictions, including, but not limited to, applicable tax laws and covenants in some of RBS's debt facilities. These laws and restrictions could limit the payment of dividends and distributions to RBS by its subsidiaries, which could in future restrict RBS's ability to fund other operations or to pay a dividend to holders of the Existing Shares or the New Shares.

Shareholders who do not acquire New Shares in the Rights Issue will experience dilution in their ownership of RBS.

If Shareholders do not take up the offer of New Shares under the Rights Issue their proportionate ownership and voting interests in RBS will be reduced and the percentage that their shares will represent of the total share capital of the Company will be reduced accordingly. Even if a shareholder elects to sell his unexercised Nil Paid Rights or Euroclear Subscription Rights, or such Nil Paid Rights or Euroclear Subscription Rights are sold on his behalf, the consideration he receives may not be sufficient to compensate him fully for the dilution of his percentage ownership of the Company's share capital that may be caused as a result of the Rights Issue.

If the Company is unable to complete the Rights Issue, it may be required to find alternative methods of increasing its core Tier 1 and Tier 1 capital ratios.

The purpose of the Rights Issue is to allow the Company to strengthen its capital position and to achieve a core Tier 1 capital ratio in excess of 6 per cent. and a Tier 1 capital ratio in excess of 8 per cent. by the end of 2008 on a proportional consolidated basis, which the Company believes are appropriate levels in light of current market conditions. If the Company is unable to complete the Rights Issue, it will need to assess its capital position and may be required to find alternative methods for achieving requisite capital ratios. Such methods could include a reduction in dividends, a reduction in the rate of growth of risk-weighted assets, disposal of certain businesses or increased issuance of Tier 1 securities. There can be no assurance that any of these alternative methods would be successful in increasing the Company's capital ratios sufficiently or on the timetable currently envisaged. If the Company is unable to increase its capital ratios sufficiently, its credit ratings may drop, its cost of funding may increase and its share price may decline.

Holders of Euroclear Subscription Rights may be exposed to currency fluctuations as Euroclear Subscription Rights will be traded in euros, but payment to the Company must be made in pounds sterling.

Whereas Euroclear Subscription Rights will be quoted in euros, payment to the Company for the New Shares must be made in pounds sterling, which could result in an exposure to any fluctuation in the euro/pounds sterling exchange rate in the period of trading of the Nil Paid Rights and Euroclear Subscription Rights. The holders of Euroclear Subscription Rights should consult with their Admitted Institution in respect of the foreign exchange policy of such Admitted Institutions.

IMPORTANT INFORMATION

Presentation of financial information

The Company publishes its financial statements in pounds sterling (“£” or “sterling”). The abbreviations “£m” and “£bn” represent millions and thousands of millions of pounds sterling, respectively, and references to “pence” and “p” represent pence in the United Kingdom. Reference to “USD”, “dollars” or “\$” are to US dollars. The abbreviations “\$m” and “\$bn” represent millions and thousands of millions of dollars, respectively, and references to “cents” represent cents in the United States. The abbreviation “€” represents the euro, the European single currency, and the abbreviations “€m” and “€bn” represent millions and thousands of millions of euros, respectively.

The financial information presented in a number of tables in this document has been rounded to the nearest whole number or the nearest decimal. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables in this document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

Certain pro forma information incorporated by reference in Part V of this document is unaudited and may be subject to adjustment. Although RBS’s management does not anticipate any material adjustments, there can be no assurance that any such adjustments will not be material.

Exchange rates

Indicative exchange rates of pounds sterling against the US dollar and the euro, comprising the average rate used for income statements and the period-end rate used for balance sheet information, are shown below:

US dollar : pounds sterling

<u>Period</u>	<u>Average rate</u>	<u>Period-end rate</u>
Year ended 31 December 2005	1.820	1.721
Year ended 31 December 2006	1.844	1.965
Year ended 31 December 2007	2.001	2.004
January 2008	1.971 ⁽¹⁾	1.988
February 2008	1.967 ⁽¹⁾	1.988
March 2008	1.979 ⁽¹⁾	1.986

Note:

(1) Calculated on a year-to-date basis.

On 28 April 2008, being the last practicable date prior to the publication of this document, the US dollar : pounds sterling exchange rate was 1.9944 : 1 as published in the Daily Official List.

Euro : pounds sterling

<u>Period</u>	<u>Average rate</u>	<u>Period-end rate</u>
Year ended 31 December 2005	1.463	1.457
Year ended 31 December 2006	1.467	1.490
Year ended 31 December 2007	1.461	1.361
January 2008	1.339 ⁽¹⁾	1.342
February 2008	1.335 ⁽¹⁾	1.309
March 2008	1.320 ⁽¹⁾	1.255

Note:

(1) Calculated on a year-to-date basis.

On 28 April 2008, being the last practicable date prior to the publication of this document, the euro : pounds sterling exchange rate was 1.2749 : 1 as published in the Daily Official List.

International Financial Reporting Standards

As required by the Companies Act and Article 4 of the European Union IAS Regulation, the consolidated financial statements of the Group are prepared in accordance with IFRS issued by the IASB and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union. The consolidated financial statements of the Group also comply with IFRS as issued by the IASB. On implementation of IFRS on 1 January 2005, the Group took advantage of the option in IFRS 1 'First-time Adoption of International Financial Reporting Standards' to implement IAS 39 'Financial Instruments: Recognition and Measurement', IAS 32 'Financial Instruments: Disclosure and Presentation' and IFRS 4 'Insurance Contracts' from 1 January 2005 without restating its 2004 income statement and balance sheet. The date of transition to IFRS for the Group and the Company and the date of their opening IFRS balance sheets was 1 January 2004.

RFS Holdings and consolidation of ABN AMRO

RFS Holdings, the investment vehicle through which RBS, Fortis and Santander acquired ABN AMRO, is jointly owned by RBS, Fortis N.V., Fortis SA/NV and Santander. However, it is controlled by RBS and is therefore fully consolidated in RBS's financial statements. Consequently, the results of the Group for the year ended 31 December 2007 include the results of ABN AMRO for the period from 17 October 2007 to 31 December 2007. The interests of Fortis and Santander in RFS Holdings are included in minority interests in the Group's financial statements.

Cautionary statement relating to write-down and credit exposure estimates

The information set out in the "Summary" and Part I of this document relating to the estimated capital effect of RBS's estimated capital market exposures constitutes "forward-looking information" and is subject to risks and uncertainties, as set out under "Risk Factors" and below under "Forward-looking statements". In particular, there are a number of assumptions and judgements that underpin such estimates, including assumptions and judgements about the underlying performance of RBS's operations, the state of the current and future credit markets (including credit markets in the United Kingdom, the United States and Europe), asset valuations, default rates, access to liquidity, the timing of disposals relating to the ABN AMRO restructuring and general economic conditions. Such information was prepared for capital planning purposes and not to predict future results and although RBS's management believes that it has taken reasonable care in producing such estimations and projections, there can be no assurance that the estimated capital effect of the projected capital market exposures will be equivalent to any actual write-downs or credit market exposures appearing in RBS's reports and accounts to be prepared in the future. Any additional write-downs may have a material adverse impact on RBS's reported financial condition and results of operations.

Forward-looking statements

This document contains or incorporates by reference "forward-looking statements", within the meaning of Section 27A of the US Securities Act and Section 21E of the US Exchange Act, regarding the belief or current expectations of RBS, RBS's Directors and other members of its senior management about RBS's businesses and the transactions described in this document, including statements relating to possible future write-downs and RBS's capital planning projections. Generally, words such as "may", "could", "will", "expect", "intend", "estimate", "anticipate", "believe", "plan", "seek", "continue" or similar expressions identify forward-looking statements.

These forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of RBS and are difficult to predict, that may cause actual results to differ materially from any future results or developments expressed or implied from the forward-looking statements. Factors that could cause actual results to differ materially from those contemplated by the forward-looking statements include, among other factors:

- the extent and nature of future developments in the credit markets, including the sub-prime market, and their impact on the financial industry in general and RBS in particular;
- the effect on RBS's capital of write-downs in respect of credit market exposures;
- successful consummation of the proposed Rights Issue;

- RBS's ability to achieve revenue benefits and cost savings from the integration of certain of ABN AMRO's businesses and assets;
- the potential exposure of RBS to various types of market risks, such as interest rate risk, foreign exchange rate risk and commodity and equity price risk. For example, certain of the market risk disclosures are dependent on choices about key model characteristics and assumptions and are subject to various limitations. By their nature, certain of the market risk disclosures are only estimates and, as a result, actual future gains and losses could differ materially from those that have been estimated;
- general economic conditions in the European Union, in particular in the United Kingdom and in other countries in which RBS has business activities or investments, including the United States;
- the monetary and interest rate policies of central banks, in particular the Bank of England, the European Central Bank, the Dutch Central Bank, the Board of Governors of the US Federal Reserve System and other G-7 central banks;
- changes or volatility in interest rates, foreign exchange rates (including the exchange rates between pounds sterling, US dollars and euros), asset prices, equity markets, commodity prices, inflation or deflation;
- the effects of competition and consolidation in the markets in which RBS operates which may be influenced by regulation, deregulation or enforcement policies;
- tax consequences of the restructuring of ABN AMRO;
- changes in consumer spending and savings habits, including changes in government policies which may influence investment decisions;
- changes in applicable laws, regulations and taxes in jurisdictions in which RBS operates, including the laws and regulations governing the structure of the transactions described in this document, as well as actions or decisions by courts and regulators;
- natural and other disasters;
- the inability of RBS to hedge certain risks economically;
- the adequacy of RBS's impairment provisions and loss reserves;
- technological changes; and
- the success of RBS in managing the risks involved in the foregoing.

These statements are further qualified by the risk factors disclosed in or incorporated by reference in this document that could cause actual results to differ materially from those in the forward-looking statements. See "Risk Factors".

These forward-looking statements speak only as at the date of this document. Except as required by the FSA, the London Stock Exchange, the Part VI Rules or applicable law, RBS does not have any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, further events or otherwise. Except as required by the FSA, the London Stock Exchange, the Part VI Rules or applicable law, RBS expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in RBS's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Classification of financial instruments

Under applicable generally accepted accounting principles, financial instruments are measured at fair value or amortised cost depending on their classification. Similar financial instruments may be reported by RBS in more than one classification and, as a result, measured on different bases. For example, loans classified as loans and receivables under IFRS are carried at amortised cost less impairment losses while loans classified as held-for-trading are carried at fair value. Furthermore, similar financial instruments may be classified and measured differently by different financial institutions. In addition, different financial institutions may use different valuation methodologies which may result in different fair values for similar instruments. For a discussion of how RBS classifies and values financial instruments, see "Accounting policies" on pages 124-139 of its Annual Report and Accounts for 2007 which is incorporated by reference herein.

RIGHTS ISSUE STATISTICS

Price per New Share	200 pence
Basis of Rights Issue	11 New Shares for every 18 Existing Shares
Number of Ordinary Shares in issue at the date of this document	10,019,471,665
Number of New Shares to be issued by the Company ⁽¹⁾	6,123,010,462
Number of Shares in issue immediately following completion of the Rights Issue ⁽¹⁾	16,142,482,127
New Shares as a percentage of enlarged issued share capital of the Company immediately following completion of the Rights Issue ⁽¹⁾	37.9%
Estimated net proceeds receivable by the Company after expenses	£12bn
Estimated expenses of the Rights Issue (inclusive of VAT)	£246m

Note:

- (1) On the assumption that no further Ordinary Shares are issued as a result of the exercise of any options under any Discretionary Option Plan or any Sharesave Scheme between the posting of this document and the closing of the Rights Issue.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Each of the times and dates in the table below is indicative only and may be subject to change.

	2008
Record Date for entitlement under the Rights Issue for Qualifying CREST Shareholders and Qualifying Non-CREST Shareholders	close of business on 9 May 2008
Latest time and date for receipt of General Meeting Forms of Proxy	12 noon on 12 May 2008
General Meeting	12 noon on 14 May 2008
Record date for entitlement under the Rights Issue for Qualifying Euroclear Shareholders	close of business on 14 May 2008
Despatch of Provisional Allotment Letters (to Qualifying non-CREST Shareholders only) ⁽¹⁾	14 May 2008
Start of subscription period	15 May 2008
Dealings in New Shares, nil paid, commence on the London Stock Exchange	8.00 a.m. on 15 May 2008
Dealings in Euroclear Subscription Rights commence on Euronext Amsterdam	9.00 a.m. (CET) on 15 May 2008
Existing Shares marked "ex" by the London Stock Exchange and Euronext Amsterdam	8.00 a.m. (9.00 a.m. (CET)) on 15 May 2008
Nil Paid Rights credited to stock accounts in CREST (Qualifying CREST Shareholders only) ⁽¹⁾	8.00 a.m. on 15 May 2008
Nil Paid Rights and Fully Paid Rights enabled in CREST and Euroclear Subscription Rights enabled in Euroclear Nederland	by 8.00 a.m. (9.00 a.m. (CET)) on 15 May 2008
Recommended latest time for requesting withdrawal of Nil Paid Rights and Fully Paid Rights from CREST (i.e. if your Nil Paid Rights and Fully Paid Rights are in CREST and you wish to convert them to certificated form)	4.30 p.m. on 2 June 2008
Latest time for depositing renounced Provisional Allotment Letters, nil or fully paid, into CREST or for dematerialising Nil Paid Rights or Fully Paid Rights into a CREST stock account (i.e. if your Nil Paid Rights and Fully Paid Rights are represented by a Provisional Allotment Letter and you wish to convert them to uncertificated form)	3.00 p.m. on 3 June 2008
Last time and date for dealings of Euroclear Subscription Rights on Euronext Amsterdam	1.00 p.m. (CET) on 3 June 2008
Latest time and date for subscription by holders of Euroclear Subscription Rights ⁽⁵⁾	3.00 p.m. (CET) on 3 June 2008
Latest time and date for splitting Provisional Allotment Letters, nil or fully paid	3.00 p.m. on 4 June 2008
Latest time and date for delivery of Euroclear Subscription Rights and payment in full by holders of Euroclear Subscription Rights	by no later than 10.00 a.m. (CET) on 6 June 2008
Latest time and date for acceptance, payment in full and registration of renunciation of Provisional Allotment Letters	11.00 a.m. on 6 June 2008
Dealings in New Shares, fully paid, commence on the London Stock Exchange	by 8.00 a.m. on 9 June 2008
Dealings in New Shares, fully paid, commence on Euronext Amsterdam	9.00 a.m. (CET) on 9 June 2008
New Shares credited to CREST stock accounts and to the Euroclear Nederland accounts of the relevant Admitted Institutions	by no later than 11 June 2008
Despatch of definitive share certificates for the New Shares in certificated form	by no later than 16 June 2008

Notes:

- (1) Subject to certain restrictions relating to Shareholders with registered addresses outside the UK, details of which are set out in Part III of this document.
- (2) The times and dates set out in the expected timetable of principal events above and mentioned throughout this document may be adjusted by RBS in consultation with Goldman Sachs International and Merrill Lynch International in which event details of the new times and dates will be notified to the UK Listing Authority, the London Stock Exchange, Euronext and, where appropriate, Qualifying Shareholders.
- (3) References to times in this timetable are to London (BST) times unless otherwise stated.
- (4) If you have any queries on the procedure for acceptance and payment, you should contact Computershare on 0870 702 0135 or +44 870 702 0135 if calling from outside the United Kingdom between 9.00 a.m. and 5.00 p.m. on any London business day.
- (5) The Admitted Institutions may set an earlier deadline for subscription by holders of Euroclear Subscription Rights in order to permit the Admitted Institutions to communicate this acceptance to the Dutch Subscription Agent in a timely manner.
- (6) If holders of Euroclear Subscription Rights have any queries in relation to the procedure for acceptance and payment, they should contact ABN AMRO Bank on +31 20 383 6707 between 9.00 a.m. and 5.00 p.m. (CET) on any Amsterdam business day.

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors

Sir Tom McKillop	Chairman
Sir Fred Goodwin	Group Chief Executive
Guy Whittaker	Group Finance Director
Johnny Cameron	Chairman, Global Markets
Lawrence Fish ⁽¹⁾	Chairman, RBS America and Citizens
Mark Fisher	Chairman, Managing Board, ABN AMRO
Gordon Pell	Chairman, Regional Markets
Colin Buchan ⁽²⁾	Non-Executive Director
Jim Currie ⁽²⁾	Non-Executive Director
Bill Friedrich ⁽²⁾	Non-Executive Director
Archie Hunter ⁽²⁾	Non-Executive Director
Charles "Bud" Koch	Non-Executive Director
Janis Kong ⁽²⁾	Non-Executive Director
Joe MacHale ⁽²⁾	Non-Executive Director
Sir Steve Robson ⁽²⁾	Non-Executive Director
Bob Scott ⁽²⁾	Non-Executive Director
Peter Sutherland ⁽²⁾	Non-Executive Director

Notes:

(1) Lawrence Fish will become a Non-Executive Director with effect from 1 May 2008.

(2) Independent Non-Executive Director.

Each of the Directors' business address is the Company's registered address at 36 St Andrew Square, Edinburgh EH2 2YB.

Group General Counsel and Group Secretary

Miller McLean

Registered office

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Registered in Scotland No. 45551

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and Joint Bookrunner**

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Joint Bookrunner

The Royal Bank of Scotland plc
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Auditors

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Saltire Court
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Edinburgh EH1 2DB

**Legal Advisers to RBS
as to English, US and Dutch law**

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Registrars

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Bristol BS99 6ZZ

Dutch Subscription, Listing and Paying Agent

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Advisers, Joint Sponsors, Joint Bookrunners
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Dutch law**

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PART I

LETTER FROM THE CHAIRMAN OF RBS



30 April 2008

Dear Shareholder,

Proposed 11 for 18 Rights Issue at 200 pence per New Share to Qualifying Shareholders

On 22 April 2008, RBS announced a rights issue to raise proceeds of £12bn, net of expenses, to increase its capital base. In advance of the General Meeting on 14 May 2008 convened by a separate Letter to Shareholders, I am writing to provide you with further details about the Rights Issue, which has been fully underwritten by Goldman Sachs International, Merrill Lynch International, UBS and the other Underwriters. This document also contains certain information in compliance with RBS's obligations under the Listing Rules 13.4.3(3)-(5) following the acquisition of ABN AMRO.

1 Background to and reasons for the Rights Issue

On 22 April, as part of the announcement of the terms of the Rights Issue, RBS also announced revised targets for its capital ratios, estimated write-downs for capital planning purposes, planned disposals and proposals relating to the 2008 interim dividend, and gave details of its current trading performance.

RBS's capital plan had assumed that it would maintain its Tier 1 capital ratio in the range 7 per cent. to 8 per cent. and that it would rebuild its core Tier 1 capital ratio towards 5 per cent. by 2010. At the time of its 2007 results announcement RBS confirmed that it was operating within the parameters of this plan.

The balance of risks and opportunities inherent in this plan have been under continual review. However, in the light of developments during March including the severe and increasing deterioration in credit market conditions, the worsening economic outlook and the increased likelihood that credit markets could remain difficult for some time, the Board has concluded that it is now appropriate for RBS to accelerate its plans to increase its capital ratios and to move to a higher target range to reflect the generally weakened business environment.

Reflecting these factors, the Board has raised its target range for the Group's Tier 1 capital ratio to 7.5 per cent. to 8.5 per cent. and has set a target for the core Tier 1 capital ratio of in excess of 6 per cent. at 31 December 2008 on a proportional consolidated basis.⁽¹⁾

Having identified these targets it was clear that, whilst acknowledging with regret the demands this would place on Shareholders, the most appropriate way of reaching them more quickly was through a rights issue. In considering the size of the Rights Issue the Board, as well as having regard to the potential business performance, made an assessment, based on current knowledge, of the likely quantum of write-downs in 2008 in respect of the deterioration in credit markets and the potential for gains from full or partial disposals.

For capital planning purposes, the Board has used the values detailed in paragraph 3 below as the basis for its estimates of write-downs in 2008 in respect of certain credit market exposures. These estimates are based on what the Board considers to be prudent assumptions reflecting the further sharp deterioration in market conditions and outlook in credit markets at this point.

As part of an ongoing exercise, in the context of its decision to increase capital levels, the Board has identified for possible whole or partial disposal RBS Insurance and other smaller assets which are not central to the very strong UK and international banking franchises that RBS has built. RBS is determined to achieve full and fair value in respect of any such disposals. At this stage RBS has assumed in its capital plan that a £4bn increase in core Tier 1 capital by the end of 2008 can be achieved in this way,

Note:

(1) Previous guidance referred to 7 per cent. to 8 per cent. for Tier 1 capital ratio, with 25 per cent. to 30 per cent. preference share content, but with no target set for core Tier 1 capital ratio.

although there is scope for fewer disposals to be made, whilst still exceeding the target core Tier 1 ratio of 6 per cent.

In addition, RBS envisages containing the capital demands of certain business lines, including Global Banking & Markets, through active management of its balance sheet.

Taking the above into account and having regard to the outlook for retained profits and the impact of active balance sheet management, the Board has determined that it is appropriate to raise £12bn through the Rights Issue, with the effect of achieving a Tier 1 capital ratio in excess of 8 per cent. and a core Tier 1 capital ratio in excess of 6 per cent. by year end on a proportional consolidated basis.

2 Principal terms of the Rights Issue

The Company is proposing to offer 6,123,010,462 New Shares by way of rights to Qualifying Shareholders at 200 pence per New Share, payable in full on acceptance by no later than 11.00 a.m. on 6 June 2008. The Rights Issue is expected to raise approximately £12bn, net of expenses. The Issue Price represents a 34.9 per cent. discount to the theoretical ex-rights price based on the closing middle-market price of 372.5 pence per Ordinary Share on 21 April 2008 (being the last business day before the announcement of the terms of the Rights Issue).

The Rights Issue will be made on the basis of:

11 New Shares at 200 pence per New Share for every 18 Existing Shares

held by Qualifying Shareholders at the close of business on the Record Date.

Entitlements to New Shares will be rounded down to the nearest whole number and fractional entitlements will not be allotted to Shareholders but will be aggregated and sold in the market for the benefit of the Company. Holdings of Existing Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

The Rights Issue is fully underwritten by Goldman Sachs International, Merrill Lynch International, UBS and the other Underwriters pursuant to the Underwriting Agreement, the principal terms of which are summarised in paragraph 18 of Part XII of this document.

The Rights Issue will result in 6,123,010,462 New Shares being issued (representing approximately 61.1 per cent. of the existing issued share capital and 37.9 per cent. of the enlarged issued share capital immediately following completion of the Rights Issue).

The Rights Issue is conditional, *inter alia*, upon:

- (i) the Underwriting Agreement having become unconditional in all respects save for the condition relating to Admission;
- (ii) Admission becoming effective by not later than 8.00 a.m. on 19 May 2008 (or such later time and date as the parties to the Underwriting Agreement may agree); and
- (iii) the passing, without amendment, of Resolution 1.

The New Shares, when issued and fully paid, will rank *pari passu* in all respects with the existing issued Ordinary Shares including the right to receive dividends or distributions made, paid or declared after the date of this document, except in respect of the 2007 final dividend of 23.1 pence per Ordinary Share announced by RBS on 28 February 2008. Application will be made to the UK Listing Authority and to the London Stock Exchange for the New Shares to be admitted to the Official List and to trading on the London Stock Exchange and to Euronext for the New Shares to be admitted to listing and trading on Euronext Amsterdam. It is expected that Admission will occur and that dealings in the New Shares (nil paid) on the London Stock Exchange will commence at 8.00 a.m. on 15 May 2008. It is also expected that dealings in Euroclear Subscription Rights on Euronext Amsterdam will commence at 9.00 a.m. (CET) on 15 May 2008.

Some questions and answers, together with details of further terms and conditions of the Rights Issue, including the procedure for acceptance and payment and the procedure in respect of rights not taken up, are set out in Parts II and III of this document and, where relevant, will also be set out in the Provisional Allotment Letter.

Overseas Shareholders should refer to paragraph 2.6 of Part III of this document for further information on their ability to participate in the Rights Issue.

3 Credit market exposures

For capital planning purposes RBS has used the values detailed below as the basis for its estimates of write-downs in 2008 in respect of the credit market exposures set out in the table below. These estimates are based on what the Board considers to be prudent assumptions reflecting the further sharp deterioration in market conditions and outlook in credit markets at this point. The capital effect of these estimated write-downs is £4.3bn net of tax (£5.9bn before tax).

Fair value gains on own liabilities are estimated to be £0.6bn and are not included in the estimated capital effect.

The estimated write-downs before tax which have been used for RBS's capital planning purposes, are as follows.

<i>£ millions</i>	Net exposure at 31 December 2007⁽¹⁾	Average price %	Current estimated net exposure⁽²⁾	Average price %	Estimated write- downs before tax⁽³⁾
ABS CDOs					
High grade CDOs	2,581	84	1,608	52	(990)
Mezzanine CDOs	1,253	70	361	20	(902)
Monoline exposures ⁽⁴⁾	2,547	n/a	3,174	n/a	(1,752)
US Residential Mortgages					
Subprime ⁽⁵⁾	1,292	72	600	38	(405)
Alt-A	2,233	83	1,007	50	(666)
Other non-agency	794	94	660	82	(100)
US commercial mortgages . . .	1,809	97	1,397	83	(201)
Leveraged Loans					
Funded and unfunded ⁽⁶⁾	14,506	96	12,354	88	(1,250)
CLOs	1,386	93	1,214	87	(106)
CDS hedging					470
Total net of CDS hedging . . .					(5,902)

Notes:

- (1) Net of hedges and write-downs.
- (2) Current exposure net of hedges and estimated write-downs.
- (3) Estimated write-downs before tax in 2008.
- (4) Monoline exposures relate to credit protection purchased on credit assets, including CDOs. As the value of the instruments underlying the hedges has fallen, the mark-to-market value of the hedges, and hence of the Group's exposure, has increased. A credit valuation adjustment of £1,752m has been estimated reflecting the monolines' weakening credit profile. Further information relating to exposures to monolines is set out below.
- (5) Includes investment grade, non-investment grade and residuals.
- (6) Funded exposures at 31 December 2007 were £8,698m.

The following table sets out certain information in relation to RBS's exposures to monoline insurers by counterparty credit quality.

Monoline exposures by counterparty credit quality ⁽¹⁾ <i>£ billions</i>	Current Estimates					
	Notional	Fair value of underlying asset	Gross exposure	Credit valuation adjustments (pre-tax)	Hedge	Net exposure
AAA / AA	19.8	15.6	4.2	(1.1)	(0.4)	2.7
A / BBB	2.6	2.2	0.4	(0.3)		0.2
Non-investment grade	2.6	1.0	1.6	(1.3)		0.3
Total	25.0	18.8	6.2	(2.7)	(0.4)	3.2
Credit valuation adjustments taken in 2007				0.9		
Estimated credit valuation adjustments before tax in 2008				(1.8)		

The following table sets out certain information in relation to RBS's exposures to monoline insurers by collateral type.

Monoline exposures by collateral type ⁽¹⁾ <i>£ billions</i>	Notional	Fair value of underlying asset	% Split underlying asset value	Underlying asset value as % of notional	Mark to market
RMBS and CDO of RMBS	6.1	2.5	13%	41%	3.6
Other ABS	4.5	4.1	22%	91%	0.3
CMBS	3.7	2.6	14%	70%	1.0
Non ABS (incl CLOs)	10.8	9.6	51%	88%	1.2
Total	25.0	18.8	100%	75%	6.2

The following table sets out certain information in relation to RBS's exposures to super senior tranches of ABS CDOs.

CDO exposures – Super senior tranches of ABS CDO's ⁽¹⁾	High Grade	Mezzanine	Total
Gross open exposures at 31 December 2007 (£bn)	6.4	3.1	9.5
Net open exposures at 31 December 2007 (£bn)	2.6	1.3	3.8
Effective attachment point at 31 December 2007	40%	62%	50%
Attachment point after estimated write-downs	63%	89%	74%
% of underlying RMBS sub-prime assets	69%	91%	79%
– originated in 2005 and earlier	24%	23%	24%
– originated in 2006	28%	69%	46%
– originated in 2007	48%	8%	30%
Net open exposures after estimated write-downs (£bn)	1.6	0.4	2.0

Note:

(1) Figures in the table may not total due to rounding.

4 Dividends and dividend policy

The Board of RBS believes that the 2007 dividend payout ratio of around 45 per cent. remains sustainable over the medium-term, given the strength and diversity of the Group. The Board will assess future dividends based on circumstances at the time. Subject to this, the Board's target for 2008 is that there would be a similar dividend payout ratio to 2007, based on earnings adjusted to exclude credit market-related write-downs and non-recurring items such as gains on disposals and integration costs.

It should be noted that the capital raised in the Rights Issue is not expected to generate the same return as existing capital in the business. This effect alone is likely to result in a reduction in dividend per share in 2008, after taking into account an adjustment in respect of the bonus element of the Rights Issue.

As indicated in the announcement made by the Company on 22 April 2008 and as referred to in the Letter to Shareholders, the Board believes that it would be prudent to issue new Ordinary Shares in the Company instead of paying the 2008 interim dividend. Accordingly, Shareholders are being asked at the General Meeting to authorise the capitalisation of reserves which will allow the Company to issue such new Ordinary Shares instead of paying the interim dividend later this year. Further details about the proposed Capitalisation Issue are set out in Part X of this document. It is, however, RBS's current intention that the 2008 final dividend be paid in cash.

Shareholders approved the 2007 final dividend at the Company's Annual General Meeting on 23 April 2008. As previously announced, the 2007 final dividend will be paid in cash. The dividend payment date was previously 6 June 2008 but the Company will now pay the 2007 final dividend on 23 May 2008 so that Shareholders will receive the cash dividend before the end of the Rights Issue offer period and be able to use such amounts after allowing for any tax in taking up their rights under the Rights Issue if they wish to do so. Until further notice, the Company's dividend reinvestment plan ("DRIP") will not be operated.

5 Capital

Taking into account the estimated write-downs, the Rights Issue and retentions, including conservative estimates in respect of other capital and strategic steps outlined below, the Group's capital ratios at 30 June 2008 and 31 December 2008 are expected to be approximately as set out below.

	<u>Core Tier 1 capital ratio⁽¹⁾</u>	<u>Tier 1 capital ratio⁽¹⁾</u>
Fully consolidated basis		
30 June 2008	>6%	>8%
31 December 2008	>6%	>8%
Proportional consolidated basis		
30 June 2008	>5%	>7.5%
31 December 2008	>6%	>8%

Note:

(1) Prepared using Basel II methodology.

The transition from Basel I to Basel II on 1 January 2008 resulted in certain definitional changes which led to an overall increase in the Group's risk-weighted assets and an increase in deductions applied to regulatory capital, together resulting in a decrease in RBS's Tier 1 capital ratio. However, risk-weighted assets are expected to decline over the first half of 2008 due to management actions (particularly in Global Banking & Markets, as discussed below), leading to a small positive impact on Tier 1 capital under Basel II.

The anticipated disposal of ABN AMRO assets during the first half of 2008, including Antonveneta, is expected to have a significant positive effect on RBS's Tier 1 capital on a fully consolidated basis. However, the distribution of proceeds to RBS's consortium partners will offset this over time. On a proportional consolidated basis, disposals of ABN AMRO assets owned by Fortis or Santander have no direct effect on RBS's capital ratios.

The aggregate of the estimated write-downs implied by RBS's capital planning estimates, totalling £5.9bn before tax, would have a negative effect on RBS's Tier 1 ratio. This is expected to be more than offset by the Rights Issue to raise approximately £12bn, net of expenses.

The Board has raised its target range for the Group's Tier 1 capital ratio to 7.5 per cent. to 8.5 per cent. and has set a target for the core Tier 1 capital ratio of in excess of 6 per cent. at 31 December 2008 on a proportional consolidated basis. Previous guidance referred to 7 per cent. to 8 per cent. for the Tier 1 capital ratio, with 25 per cent. to 30 per cent. preference share content, but with no target set for the core Tier 1 capital ratio.

6 Board and management

This has been a difficult period for financial institutions worldwide, including RBS. In addition to consideration of the capital position, the Board has taken the opportunity to stand back and look at the management and governance of the business and how effectively it is functioning.

The Board of RBS has full confidence that the executive team will be able to lead RBS through the current challenging conditions, deliver the transaction benefits relating to the acquisition of ABN AMRO, and realise the substantial value in RBS's UK and international franchises.

In response to the difficulties in its credit markets business, RBS has made significant changes to its North American management structure and has strengthened the control environment within Global Banking & Markets. Certain structured credit activities have been discontinued and problematic US sub-prime mortgage-related assets are now managed by a dedicated work-out unit with a view to minimising risk and reducing positions at an appropriate pace.

As part of continuing succession planning, the nominations committee and full Board have been engaged throughout 2007 in planning additions to the Board and searches are already under way to recruit three new non-executive directors with experience appropriate to the enlarged Group's operations.

7 Current trading and prospects⁽¹⁾

The operating performance of many of RBS's businesses since the beginning of 2008 has remained good, but results have been held back by the effects of the continuing deterioration in credit markets, which has resulted in additional write-downs on credit market exposures in the first quarter. Some Global Banking & Markets businesses have experienced a reduced level of activity, although others continue to perform well, as do Global Transaction Services and Regional Markets. Overall, the Group's underlying results, excluding write-downs, have remained satisfactory.

In a more uncertain environment for its customers, RBS has continued to benefit from strong growth in personal and corporate deposits and good growth in lending. Group net interest margin in the quarter was slightly lower, reflecting increased funding costs partially offset by stronger new business margins in some lending products.

Overall credit risk metrics have remained stable in the first quarter, with a continued decline in UK personal sector impairment losses but increased delinquencies in a specific US retail portfolio. Corporate credit quality remains broadly stable.

RBS divisions

Global Markets

Global Banking & Markets has been acutely affected by credit market conditions, particularly in March, with further write-downs in credit markets during the quarter. There were good performances in rates and currencies, but lower business volumes in credit markets and equities, with corresponding reductions in costs. Credit impairments have remained low.

Global Banking & Markets has made a good start on exploiting the potential of ABN AMRO, with a significant number of deals already recorded as a result of combining the product expertise and customer franchises of the two businesses.

In response to the difficulties in its credit markets business, RBS has made significant changes to its North American management structure and has strengthened the control environment within Global Banking & Markets. It intends to reduce its headcount globally by more than originally envisaged through the ABN AMRO integration process.

Certain structured credit activities have been discontinued and problematic US sub-prime mortgage-related assets are now managed by a dedicated work-out unit with a view to minimising risk and

Note:

- (1) This information has been taken from the trading update issued by RBS on 22 April 2008 which also constitutes RBS's Interim Management Statement for the period from 31 December 2007 to 22 April 2008. Comments relate primarily to pro forma unaudited results for the Group including the ABN AMRO businesses to be retained by RBS and cover the first quarter of 2008. Comparisons are with the first quarter of 2007, on the same pro forma basis, unless otherwise stated. Divisional analysis is on the basis of the new Group structure announced on 28 February 2008. Details of the revised structure and pro forma financial information for 2006 and 2007 are contained in the announcement and results presentation accompanying the Group's Annual Results on 28 February 2008 which are appended as Appendix IV to the press release issued by RBS on 22 April 2008. Additionally, details of loans and advances, customer deposits and risk-weighted assets at 31 December 2007 are appended as Appendix V to the press release issued by RBS on 22 April 2008.

reducing positions at an appropriate pace. Global Banking & Markets remains focused on effective management of its capital and has accelerated other balance sheet management actions.

Global Transaction Services has delivered good growth in income and profit, despite a reduced benefit from non-interest bearing deposits as a result of lower interest rates. Transaction volumes have increased and the product strength and international capabilities of this new division have attracted significant new business, winning a number of notable new mandates in cash management, trade finance and financial institutions. Global Transaction Services continues to expand its international reach in merchant acquiring. Expense growth has remained under control.

Regional Markets

UK Retail & Commercial Banking has achieved steady growth in income, net of claims. Retail and commercial deposits have grown strongly, increasing by 12 per cent. in the first quarter, and there has been continued excellent progress in UK Wealth Management, where assets under management increased by 15 per cent. After two years in which RBS has had a limited appetite for the returns available in the UK mortgage market, it is now seeing competitors withdrawing from the market and has taken advantage of opportunities to write good credit quality mortgages at attractive margins. In the first quarter of 2008, RBS has achieved an 11 per cent. share of net new mortgage lending at an average loan to value of 64 per cent.

Retail impairment losses have continued to decline, reflecting our continued cautious approach to the personal unsecured credit market, while commercial credit quality has remained stable. We continue to monitor our exposure to commercial property carefully, and remain satisfied with the performance of our portfolio. Only 1 per cent. of commitments secured on commercial property is for speculative commercial property development.

US Retail & Commercial Banking has continued to achieve modest income growth while maintaining good cost discipline, but overall results have been held back by increased impairments in one specific loan portfolio. RBS continues to diversify its business, achieving good growth in commercial banking volumes and in cards. Deposit volumes are stable, but margins have been eroded by competitive pressure. Consumer lending volumes have contracted as underwriting standards have been tightened and consumer spending has slowed. Investment is being focused on the development of commercial banking activities and other selected opportunities.

Citizens' credit portfolio continues to perform satisfactorily, with the exception of a specific portfolio within its home equity book, referred to in RBS's trading update of 6 December 2007. Delinquencies on this portfolio have risen markedly as the housing market has continued to weaken and the Group has continued to increase provisions. Excluding this portfolio, delinquencies in consumer lending represented only 0.7 per cent. of balances in the first quarter, unchanged from the level of a year earlier.

Europe and Middle East Retail & Commercial Banking has continued to deliver good profit growth, though income growth within Ulster Bank has moderated in line with the slower pace of Irish economic expansion. Credit quality remains stable. Results in sterling terms have benefited from the movement in the euro exchange rate. The business in the UAE continues to make good progress with record sales of credit cards and personal loans in March and continued strong performance in affluent banking.

Asia Retail & Commercial Banking has continued to generate very strong growth in both income and operating profit. RBS Coutts has maintained its momentum with deposits 18 per cent. ahead and assets under management 16 per cent. higher in March. In China, the affluent banking business is making excellent progress, with client funds doubling. The division is pressing ahead with continued focused investment in its retail and commercial banking franchise in the region.

RBS Insurance

RBS Insurance has achieved strong new business volumes and good renewal rates in its own motor and home brands. Expenses reflect accelerated marketing activity, while claims costs were lower as a result of enhanced risk selection as well as more favourable weather conditions. International businesses in Spain, Italy and Germany continued to make good progress.

Group Manufacturing

Group Manufacturing has continued to deliver good productivity gains in support of business growth in our customer-facing divisions while continuing to invest in our infrastructure in the UK and internationally. Technology and operations costs remain tightly controlled.

Acquisitions and disposals

On 1 April 2008, RBS completed the formation of a commodities market-making joint venture with Sempra Energy, RBS Sempra Commodities.

ABN AMRO integration

Integration benefits and headcount reductions achieved during the first quarter are slightly ahead of RBS's initial expectations. Cost benefits are slightly ahead of schedule, while revenue benefits are slightly behind. As indicated in its announcement on 28 February 2008, RBS expects to achieve integration benefits totalling €2.3bn by 2010, compared with its original estimate of €1.7bn.

Implementation teams are now in place, with, for example, 44 separate workstreams established in Global Banking & Markets, covering products, clients, regions, functions and migration, involving 1,200 staff from RBS and ABN AMRO.

The ABN AMRO businesses acquired by RBS have been restructured to mirror the new RBS Group structure. Future single management appointments have been made and the co-location of Global Banking & Markets teams has begun, with rebranding of ABN AMRO buildings already under way. The combined Global Banking & Markets and Global Transaction Services teams have already achieved a significant number of deals in which ABN AMRO customers gain access to RBS product capabilities, such as US Treasury bonds, while RBS customers benefit from ABN AMRO product expertise in areas such as cash management and trade finance.

Outlook

The outlook is inevitably clouded by the disruption to markets, as a result of which volumes are likely to be significantly lower in some areas of Global Banking & Markets. However, other areas of Global Banking & Markets, and most of the Group's other businesses, are making good progress, taking advantage of the opportunities that have become available in this changed environment to achieve profitable growth at good risk-adjusted rates of return. The Group is now better positioned in growth economies and has many additional opportunities to exploit its enhanced presence, customer franchises and product capabilities.

With reinforced capital ratios, the Group will be in a stronger position to navigate through an economic environment that remains uncertain and well placed to take advantage of the growth opportunities available to it.

8 Further information

Your attention is drawn to the further information set out in Parts II to XII of this document. Shareholders should read the whole of this document and not rely solely on the information set out in this letter. In addition, you should consider the risk factors set out on pages 11 to 16 of this document.

The working capital statement set out in paragraph 22 of Part XII of this document, the no significant change statement set out in paragraph 23.2 of Part XII of this document and the ABN AMRO historical financial information incorporated by reference into this document as referred to in Annex A to this document have been included to comply with the UK Listing Rules and with the undertaking given by RBS at the time of the acquisition of ABN AMRO to provide this information to Shareholders as soon as reasonably practicable after the acquisition had been completed.

9 Overseas Shareholders

The attention of Overseas Shareholders who have registered addresses outside the United Kingdom, or who are citizens of or residents in countries other than the United Kingdom, is drawn to the information in paragraph 2.6 of Part III of this document.

New Shares will be provisionally allotted to all Shareholders, including Overseas Shareholders. However, subject to certain exceptions, Provisional Allotment Letters will not be sent to Qualifying Non-CREST Shareholders with registered addresses in the United States or any Excluded Territory nor will the CREST stock accounts of Qualifying CREST Shareholders with registered addresses in the United States or any Excluded Territory be credited.

Notwithstanding any other provision of this document or the Provisional Allotment Letter, RBS reserves the right to permit any Qualifying Shareholder to take up his rights if RBS in its sole and absolute discretion is satisfied that the transaction in question will not violate applicable laws.

10 UK and US taxation

Certain information about UK and US taxation in relation to the Rights Issue and the Capitalisation Issue is set out in Part XI of this document. If you are in any doubt as to your tax position, or you are subject to tax in a jurisdiction other than the United Kingdom or the United States, you should consult your own independent tax adviser without delay.

11 General Meeting

On 25 April 2008, Shareholders were sent a letter containing the General Meeting Notice. The General Meeting will be held on 14 May 2008 at 12.00 noon in the RBS Conference Centre, RBS Gogarburn, Edinburgh EH12 1HQ. The General Meeting is being held for the purpose of considering and, if thought fit, passing two resolutions. The first resolution is to increase the Company's authorised ordinary share capital and to grant Directors authority to allot ordinary shares in connection with the Rights Issue. The second resolution is to authorise the capitalisation of reserves referred to in paragraph 4 above. A form of proxy was enclosed with the General Meeting Notice. To be effective, forms of proxy must be completed and received at the Company's transfer office at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY by 12.00 noon on Monday 12 May 2008.

12 Action to be taken in respect of the Rights Issue

You are not required to take any action at present in relation to the Rights Issue. If Resolution 1 is passed, it is intended that:

- (i) if you are a Qualifying Non-CREST Shareholder, you will be sent a Provisional Allotment Letter giving you details of your Nil Paid Rights by post on or about 14 May 2008;
- (ii) if you are a Qualifying CREST Shareholder, you will not be sent a Provisional Allotment Letter. Instead, you will receive a credit to your appropriate stock accounts in CREST in respect of the Nil Paid Rights as soon as practicable after 8.00 a.m. on 15 May 2008; and
- (iii) if you are a Qualifying Euroclear Shareholder your securities account with an Admitted Institution will be credited with your entitlement to Euroclear Subscription Rights (you will not be sent a Provisional Allotment Letter) and you should refer to your Admitted Institution regarding the action to be taken.

If you sell or have sold or otherwise transferred all of your Ordinary Shares held (other than ex-rights) in certificated form before 15 May 2008, please forward this document and any Provisional Allotment Letter, if and when received, at once to the purchaser or transferee or the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee, except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including, but not limited to, the United States and the Excluded Territories.

If you sell or have sold or otherwise transferred all or some of your Ordinary Shares (other than ex-rights) held in uncertificated form before the Ex-Rights Date, a claim transaction will automatically be generated by Euroclear UK and Euroclear Nederland which, on settlement, will transfer the appropriate number of Nil Paid Rights and Euroclear Subscription Rights to the purchaser or transferee.

If you sell or have sold or otherwise transferred only part of your holding of Existing Shares (other than ex-rights) held in certificated form before the Ex-Rights Date, you should refer to the instruction regarding split applications in Part III of this document and in the Provisional Allotment Letter.

The latest time and date for acceptance and payment in full in respect of the Rights Issue is expected to be 11.00 a.m. on 6 June 2008, unless otherwise announced by the Company. The latest time and date for subscription for the New Shares by holders of Euroclear Subscription Rights is 3.00 p.m. (CET) on 3 June 2008. The latest time and date for delivery of Euroclear Subscription Rights and payment in full for the New Shares by holders of Euroclear Subscription Rights is 10.00 a.m. (CET) on 6 June 2008. Euroclear Subscription Rights will trade on Euronext Amsterdam until 1.00 p.m. (CET) on 3 June 2008. The procedure for acceptance and payment is set out in Part III of this document and, in respect of Qualifying Non-CREST Shareholders only, in the Provisional Allotment Letter.

For Qualifying Non-CREST Shareholders, the New Shares will be issued in certificated form and will be represented by definitive share certificates, which are expected to be despatched by no later than 16 June 2008 to the registered address of the person(s) entitled to them.

For Qualifying CREST Shareholders, the Registrars will instruct CREST to credit the stock accounts of the Qualifying CREST Shareholders with their entitlements to New Shares. It is expected that this will take place by 8.00 a.m. on 9 June 2008. For Qualifying Euroclear Shareholders, Euroclear Nederland will credit the appropriate securities accounts with Admitted Institutions with their entitlements to New Shares by no later than 11 June 2008.

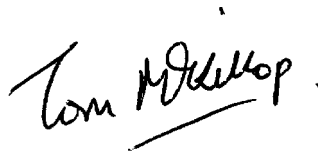
Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsor regarding the action to be taken in connection with this document and the Rights Issue.

If you are in any doubt as to the action you should take, you should immediately seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the FSMA or, if you are outside the United Kingdom, by another appropriately authorised independent financial adviser.

13 Directors' intentions

To the extent permitted, each of the Directors intends to take up his or her rights to subscribe for New Shares under the Rights Issue.

Yours sincerely,

A handwritten signature in black ink that reads "Tom McKillop". The signature is written in a cursive style with a horizontal line underneath the name.

Sir Tom McKillop
Chairman

PART II

SOME QUESTIONS AND ANSWERS ABOUT THE RIGHTS ISSUE

The questions and answers set out in this Part II are intended to be in general terms only and, as such, you should read Part III of this document for full details of what action you should take. 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 or other independent financial adviser, duly authorised under the FSMA if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

This Part II deals with general questions relating to the Rights Issue and more specific questions relating to Ordinary Shares held by persons resident in the United Kingdom who hold their Ordinary Shares in certificated form only. If you are an Overseas Shareholder, you should read paragraph 2.6 of Part III of this document and you should take professional advice as to whether you are eligible and/or you need to observe any formalities to enable you to take up your rights. If you hold your Ordinary Shares in uncertificated form (that is, through CREST), or you are a Qualifying Euroclear Shareholder or you hold Euroclear Subscription Rights you should read Part III of this document for full details of what action you should take. If you are a CREST sponsored member, you should also consult your CREST sponsor. If you do not know whether your Ordinary Shares are in certificated or uncertificated form, please call the Shareholder Helpline on 0870 702 0135 (from inside the United Kingdom) or +44 870 702 0135 (from outside the United Kingdom). Holders of Euroclear Subscription Rights should call ABN AMRO Bank on +31 20 383 6701. For legal reasons, the Shareholder Helpline will be unable to give advice on the merits of the Rights Issue or to provide financial, tax or investment advice.

1 What is a rights issue?

A rights issue is a way for companies to raise money. Companies do this by giving their existing shareholders a right to buy further shares in proportion to their existing shareholdings.

This Rights Issue is an offer by RBS of 6,123,010,462 New Shares at a price of 200 pence per New Share. If you hold Ordinary Shares on the Record Date, other than, subject to certain exceptions, those Shareholders with a registered address in the United States or the Excluded Territories (a "Qualifying Shareholder"), you will be entitled to buy New Shares under the Rights Issue. If you hold your Existing Shares in certificated form, your entitlement will be set out in your Provisional Allotment Letter.

New Shares are being offered to Qualifying Shareholders in the Rights Issue at a discount to the share price on the last dealing day before the details of the Rights Issue were announced on 22 April 2008. The Issue Price of 200 pence per New Share represents a 34.9 per cent. discount to the theoretical ex-rights price based on the closing middle-market price quotation as derived from the London Stock Exchange's Daily Official List of 372.5 pence per Ordinary Share on 21 April 2008, the last business day prior to the date of announcement of the terms of the Rights Issue. Because of this discount and while the market value of the Existing Shares exceeds the Issue Price, the right to buy the New Shares is potentially valuable.

The Rights Issue is on the basis of 11 New Shares for every 18 Existing Shares held by Qualifying Shareholders on the Record Date.

If you are a Qualifying Shareholder and you do not want to buy the New Shares to which you are entitled, you can instead sell or transfer your rights (called Nil Paid Rights or, if held through Euroclear Nederland, Euroclear Subscription Rights) to those New Shares and receive the net proceeds, if any, of the sale or transfer in cash. This is referred to as dealing "nil paid".

2 I hold my Existing Shares in certificated form. How do I know if I am eligible to participate in the Rights Issue?

If you receive a Provisional Allotment Letter and, subject to certain exceptions, are not a holder with a registered address in the United States or in any of the Excluded Territories, then you should be eligible to participate in the Rights Issue (as long as you have not sold all of your Existing Shares before 8.00 a.m. on 15 May 2008 (the time when the Existing Shares are expected to be separated to be marked "ex-rights" by the London Stock Exchange and Euronext Amsterdam)).

3 I hold my Existing Shares in certificated form. What do I need to do in relation to the Rights Issue?

Subject to Shareholders approving Resolution 1 at the General Meeting to be held on 14 May 2008, if you hold your Existing Shares in certificated form and do not have a registered address in the United States or one of the Excluded Territories, you will be sent a Provisional Allotment Letter that shows:

- how many Existing Shares you held at the close of business on 9 May 2008 (the Record Date for the Rights Issue);
- how many New Shares you are entitled to buy; and
- how much you need to pay if you want to take up your right to buy all the New Shares provisionally allotted to you in full.

Subject to certain exceptions, if you have a registered address in the United States or any of the Excluded Territories, you will not receive a Provisional Allotment Letter.

4 I am a Qualifying Shareholder with a registered address in the United Kingdom and I hold my Existing Shares in certificated form. What are my choices and what should I do with the Provisional Allotment Letter?

(a) If you want to take up all of your rights

If you want to take up all of your rights to subscribe for the New Shares to which you are entitled, all you need to do is send the Provisional Allotment Letter, together with your cheque or banker's draft for the full amount, payable to "The Royal Bank of Scotland plc re RBS Rights Issue" and crossed "A/C payee only", by post or by hand (during normal business hours) to Computershare Investor Services PLC, Corporate Actions 1, The Pavilions, Bridgwater Road, Bristol BS99 6AF, to arrive by no later than 11.00 a.m. on 6 June 2008. Within the United Kingdom only, you can use the reply-paid envelope which will be enclosed with the Provisional Allotment Letter. Full instructions are set out in Part III of this document and will be set out in the Provisional Allotment Letter.

A definitive share certificate will then be sent to you for the New Shares that you take up. Your definitive share certificate for New Shares is expected to be despatched to you by no later than 16 June 2008. You will need your Provisional Allotment Letter to be returned to you if you want to deal in your Fully Paid Rights. Your Provisional Allotment Letter will not be returned to you unless you tick the appropriate box on the Provisional Allotment Letter.

(b) If you do not want to take up your rights at all

If you do not want to take up your rights, you do not need to do anything. If you do not return your Provisional Allotment Letter subscribing for the New Shares to which you are entitled by 11.00 a.m. on 6 June 2008, we have made arrangements under which the Underwriters will try to find investors to take up your rights and the rights of others who have not taken them up. If the Underwriters do find investors who agree to pay a premium above the Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of value added tax), you will be sent a cheque for your share of the amount of that premium provided that this is £5.00 or more. Cheques are expected to be despatched on or around 16 June 2008 and will be sent to your existing address appearing on RBS's register of members (or to the first-named holder if you hold your Existing Shares jointly). If the Underwriters cannot find investors who agree to pay a premium over the Issue Price and related expenses so that your entitlement would be £5.00 or more, you will not receive any payment. Alternatively, if you do not want to take up your rights, you can sell or transfer your Nil Paid Rights (see paragraph 4(d) below).

(c) If you want to take up some but not all of your rights

If you want to take up some but not all of your rights and wish to sell some or all of those you do not want to take up, you should first apply to have your Provisional Allotment Letter split by completing Form X on the Provisional Allotment Letter, and returning it by post or by hand (during normal business hours) to Computershare Investor Services PLC, Corporate Actions 1, The Pavilions, Bridgwater Road, Bristol BS99 6AF, to be received by 3.00 p.m. on 4 June 2008, together with a covering letter stating the number of split Provisional Allotment Letters required and the number of Nil Paid Rights to be comprised in each split Provisional Allotment Letter. You should then deliver the split Provisional Allotment Letter

representing the New Shares that you wish to accept together with your cheque or banker's draft to Computershare (see paragraph 4(a) above) to be received by 11.00 a.m. on 6 June 2008.

Alternatively, if you only want to take up some of your rights (but not sell some or all of the rest), you should complete Form X on the Provisional Allotment Letter and return it with a cheque or banker's draft together with an accompanying letter indicating the number of Nil Paid Rights that you wish to take up, in accordance with the provisions set out in the Provisional Allotment Letter.

Further details are set out in Part III of this document and will be set out in the Provisional Allotment Letter.

(d) If you want to sell all of your rights

If you want to sell all of your rights, you should complete and sign Form X on the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and pass the entire letter to your stockbroker, bank manager or other appropriate financial adviser or to the transferee (provided they are not in the United States or any of the Excluded Territories).

The latest time and date for selling all of your rights is 11.00 a.m. on 6 June 2008. Please ensure, however, that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 6 June 2008.

5 I acquired my Existing Shares prior to the Record Date and hold my Existing Shares in certificated form. What if I do not receive a Provisional Allotment Letter?

If Shareholders approve Resolution 1 at the General Meeting to be held on 14 May 2008, and you do not receive a Provisional Allotment Letter, this probably means that you are not eligible to participate in the Rights Issue. Some Non-CREST Shareholders, however, will not receive a Provisional Allotment Letter but may still be eligible to participate in the Rights Issue, namely:

- Qualifying CREST Shareholders and Qualifying Euroclear Shareholders who held their Existing Shares in uncertificated form on 9 May 2008 and who have converted them to certificated form;
- Qualifying Non-CREST Shareholders who bought Existing Shares before 15 May 2008 but were not registered as the holders of those Shares at the close of business on 9 May 2008; and
- certain Overseas Shareholders.

If you do not receive a Provisional Allotment Letter but think that you should have received one, please contact the 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, the Shareholder Helpline will only be able to provide information contained in this document (and in addition information relating to RBS's register of members) and will be unable to give advice on the merits of the Rights Issue or to provide financial, tax or investment advice.

6 If I buy Shares after the Record Date will I be eligible to participate in the Rights Issue?

If you bought Shares after the Record Date but prior to 8.00 a.m. on 15 May 2008 (the time when the Existing Shares are expected to start trading ex-rights on the London Stock Exchange and Euronext Amsterdam), you may be eligible to participate in the Rights Issue.

If you are in any doubt, please consult your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement.

If you buy Shares at or after 8.00 a.m. on 15 May 2008, you will not be eligible to participate in the Rights Issue in respect of those Shares.

7 I hold my Existing Shares in certificated form. If I take up my rights, when will I receive my New Share certificate?

If you take up your rights under the Rights Issue, share certificates for the New Shares are expected to be posted by no later than 16 June 2008.

8 What if the number of New Shares to which I am entitled is not a whole number: am I entitled to fractions of Shares?

Your entitlement to New Shares will be calculated at the Record Date. If the result is not a whole number, you will not receive a New Share in respect of the fraction of a Share and your entitlement will be rounded down to the nearest whole number. The New Shares representing the aggregated fractions that would otherwise be allotted to Shareholders will be sold in the market nil paid for the benefit of the Company.

9 Will I be taxed if I take up or sell my rights or if my rights are sold on my behalf?

If you are resident in the United Kingdom for tax purposes, you should not have to pay UK tax when you take up your rights, although the Rights Issue will affect the amount of UK tax you may pay when you subsequently sell your Ordinary Shares. However, assuming that you hold your Ordinary Shares as an investment, rather than for the purposes of a trade, you may (subject to any available exemption or relief) be subject to capital gains tax on any proceeds that you receive from the sale of your rights (unless, generally, the proceeds do not exceed £3,000, or, if more, 5 per cent. of the market value of your Ordinary Shares, although in that case the amount of UK tax you may pay when you subsequently sell all or any of your Ordinary Shares may be affected).

Further information for Qualifying Shareholders who are resident in the United Kingdom for tax purposes is contained in Part XI of this document. This information is intended as a general guide to the current tax position in the United Kingdom and Qualifying Shareholders should consult their own tax advisers regarding the tax treatment of the Rights Issue in light of their own circumstances. Qualifying Shareholders who are in any doubt as to their tax position, or who are subject to tax in any other jurisdiction, should consult an appropriate professional adviser as soon as possible. Please note, the Shareholder helpline will not be able to assist you with taxation issues.

10 I understand that there is a period when there is trading in the Nil Paid Rights and Euroclear Subscription Rights. What does this mean?

If you do not want to buy the New Shares being offered to you under the Rights Issue, you can instead sell or transfer your rights (called "Nil Paid Rights" or, if you hold your Existing Shares through Euroclear Nederland "Euroclear Subscription Rights") to those New Shares and receive the net proceeds of the sale or transfer in cash. This is referred to as dealing "nil paid". This means that, during the Rights Issue offer period (i.e. between 15 May and 6 June 2008), you can either purchase Ordinary Shares (which will not carry any entitlement to participate in the Rights Issue) or you can trade in the Nil Paid Rights or Euroclear Subscription Rights.

11 I hold my Existing Shares in certificated form. What if I want to sell the New Shares for which I have paid?

Provided the New Shares have been paid for and you have requested the return of the receipted Provisional Allotment Letter, you can transfer the Fully Paid Rights by completing Form X (the form of renunciation) on the receipted Provisional Allotment Letter in accordance with the instructions set out in the Provisional Allotment Letter until 11.00 a.m. on 6 June 2008. After that time, you will be able to sell your New Shares in the normal way. The share certificate relating to your New Shares is expected to be despatched to you by no later than 16 June 2008. Pending despatch of the share certificate, instruments of transfer will be certified by Computershare against the register.

Further details are set out in Part III of this document.

12 What if I hold options and awards under the RBS Employee Share Plans?

The options and awards granted under the Option Plans and the Performance Plans may be adjusted in such a way as the Directors consider appropriate as a result of the Rights Issue. Such adjustments, if any, will be subject to approval by the Company's auditors and by HM Revenue & Customs, where appropriate. Participants will be contacted separately with further information on how their options and awards may be affected by the Rights Issue.

Participants in the Employee Share Ownership Plans, the Ulster Bank Employee Group Share Incentive Scheme and The Royal Bank of Scotland Group plc Irish Profit Sharing (Share Ownership) Scheme will be contacted separately about their rights under the Rights Issue.

13 What should I do if I live outside the United Kingdom?

Your ability to take up rights to New Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your rights. Shareholders with registered addresses in the United States or the Excluded Territories are, subject to certain exceptions, not eligible to participate in the Rights Issue. Your attention is drawn to the information in paragraph 2.6 of Part III of this document.

RBS has made arrangements under which the Underwriters will try to find investors to take up your rights and those of other Shareholders who have not taken up their rights. If the Underwriters do find investors who agree to pay a premium above the Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of value added tax), you will be sent a cheque for your share of the amount of that premium provided that this is £5.00 or more. Cheques are expected to be despatched on or around 16 June 2008 and will be sent to your address appearing on RBS's register of members (or to the first-named holder if you hold your Shares jointly). If the Underwriters cannot find investors who agree to pay a premium over the Issue Price and related expenses so that your entitlement would be £5.00 or more, you will not receive any payment.

14 Will I be entitled to the 2007 final dividend in respect of my New Shares?

Holders of New Shares issued pursuant to the Rights Issue will not be entitled to receive, in respect of those New Shares, the 2007 final dividend of 23.1 pence per Ordinary Share announced by RBS on 28 February 2008.

15 Will the Rights Issue affect the future dividends RBS pays?

Following completion of the Rights Issue, future dividend payments per RBS Share will be adjusted for the Rights Issue. The adjustment will take account of the discount in the Issue Price to the share price at close of business on 21 April 2008, being the day prior to the announcement of the terms of the Rights Issue.

PART III

TERMS AND CONDITIONS OF THE RIGHTS ISSUE

1 Introduction

The Company is proposing to raise proceeds of approximately £12bn (net of expenses) by way of a rights issue of 6,123,010,462 New Shares. Subject to the fulfilment of the conditions of the Underwriting Agreement, the New Shares will be offered by way of rights at 200 pence per New Share, payable in full on acceptance by Qualifying Shareholders, on the basis of:

11 New Shares for every 18 Existing Shares

held on the Record Date (and so in proportion for any other number of Existing Shares then held) and otherwise on the terms and conditions as set out in this document and, in the case of Qualifying Non-CREST Shareholders, the PALs.

The Issue Price of 200 pence per New Share represents a 34.9 per cent. discount to the theoretical ex-rights price based on the closing middle-market price of an Ordinary Share as derived from the London Stock Exchange Daily Official List of 372.5 pence per Existing Share on 21 April 2008, the last business day prior to the date of announcement of the terms of the Rights Issue.

Qualifying Shareholders who do not take up entitlements to New Shares will have their proportionate shareholdings in RBS diluted by approximately 37.9 per cent. Those Qualifying Shareholders who take up their Rights in full will, subject to fractions, have the same proportionate voting and distribution rights as held on the Record Date.

The Nil Paid Rights (also described as New Shares, nil paid) are entitlements to acquire the New Shares subject to payment of the Issue Price. Euroclear Subscription Rights, created in Euroclear Nederland, corresponding to Nil Paid Rights, are transferable, tradable and exercisable rights, in accordance with the Netherlands Securities Giro Act. The Fully Paid Rights are entitlements to receive the New Shares, for which a subscription and payment has already been made.

Holdings of Existing Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue. Entitlements to New Shares will be rounded down to the next lowest whole number and fractions of New Shares will not be allotted to Qualifying Shareholders. Such fractions will be aggregated and, if possible, sold as soon as practicable after the commencement of dealings in the New Shares, nil paid. The net proceeds of such sales (after deduction of expenses) will be aggregated and will ultimately accrue for the benefit of RBS.

The attention of Overseas Shareholders or any person (including, without limitation, custodians, nominees and trustees) who has a contractual or other legal obligation to forward this document into a jurisdiction other than the United Kingdom, the Netherlands, France, Germany, Ireland and Spain is drawn to paragraph 2.6 below. The offer of New Shares and the Rights Issue will not be made into certain territories. Subject to the provisions of paragraph 2.6, Shareholders with a registered address in the United States or an Excluded Territory are not being sent this document, will not be sent Provisional Allotment Letters and will not have their CREST accounts or Euroclear Nederland securities accounts credited with Nil Paid Rights or Euroclear Subscription Rights, respectively.

Applications will be made to the UK Listing Authority and to the London Stock Exchange for the New Shares (nil paid and fully paid) to be admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities respectively. It is expected that Admission will become effective on 15 May 2008 and that dealings in the New Shares, nil paid, will commence on the London Stock Exchange by 8.00 a.m. on that date. Application will also be made to Euronext for the New Shares to be admitted to listing and trading on Euronext Amsterdam. It is expected that dealings in the Euroclear Subscription Rights on Euronext Amsterdam will commence at 9.00 a.m. (CET) on 15 May 2008 and that admission of the New Shares, fully paid, to listing on Euronext Amsterdam will become effective and dealings will commence at 9.00 a.m. (CET) on 9 June 2008. The New Shares and the Existing Shares are in registered form and can be held in certificated or uncertificated form via CREST.

The Existing Shares are already admitted to CREST and Euroclear Nederland. No further application for admission to CREST or Euroclear Nederland is required for the New Shares and all of the New Shares when issued and fully paid may be held and transferred by means of CREST or Euroclear Nederland.

Applications will be made for the Nil Paid Rights and the Fully Paid Rights to be admitted to CREST. Euroclear UK requires the Company to confirm to it that certain conditions (imposed by the CREST Manual) are satisfied before Euroclear UK will admit any security to CREST. It is expected that these conditions will be satisfied, in respect of the Nil Paid Rights and the Fully Paid Rights, on Admission. As soon as practicable after satisfaction of the conditions, the Company will confirm this to Euroclear UK.

Euroclear Nederland is a CREST member and will hold legal title to the Nil Paid Rights issued to it, for the benefit of the Qualifying Euroclear Shareholders in accordance with the Netherlands Securities Giro Act. Euroclear Nederland will credit the accounts of its Admitted Institutions with the relevant number of Euroclear Subscription Rights at 9.00 a.m. (CET) on 15 May 2008, and the Admitted Institutions will credit the appropriate securities accounts of the Qualifying Euroclear Shareholders.

The ISIN for the New Shares will be the same as that of the Existing Shares being GB0007547838. The ISIN code for the Nil Paid Rights is GB00B2R3F116 and for the Fully Paid Rights is GB00B2R3F009. The ISIN for the Euroclear Subscription Rights is NL0006238040.

None of the New Shares is being made available to the public other than pursuant to the Rights Issue.

The Rights Issue has been fully underwritten by Goldman Sachs International, Merrill Lynch International, UBS and the other Underwriters and is conditional, *inter alia*, upon:

- (i) the Underwriting Agreement having become unconditional in all respects (save for the condition relating to Admission) and not having been terminated in accordance with its terms;
- (ii) Admission becoming effective by not later than 8.00 a.m. on 19 May 2008 (or such later date as the parties to the Underwriting Agreement may agree); and
- (iii) the passing, without amendment, of Resolution 1.

The Underwriting Agreement is conditional upon certain matters being satisfied or not breached prior to the General Meeting and may be terminated by Goldman Sachs International or Merrill Lynch International prior to Admission upon the occurrence of certain specified events, in which case the Rights Issue will not proceed. The Underwriting Agreement is not capable of termination following Admission. Goldman Sachs International, Merrill Lynch International and UBS may arrange sub-underwriting for some, all or none of the New Shares. A summary of certain terms and conditions of the Underwriting Agreement is contained in paragraph 18 of Part XII of this document.

The Underwriters and any of their respective affiliates may engage in trading activity in connection with their roles under the Underwriting Agreement and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for their own account in securities of the Company and related or other securities and instruments (including Ordinary Shares, Nil Paid Rights, Euroclear Subscription Rights and Fully Paid Rights).

Subject, *inter alia*, to the conditions referred to above being satisfied (other than the condition relating to Admission) and save as provided in paragraph 2.6 below, it is intended that:

- (i) Provisional Allotment Letters in respect of Nil Paid Rights will be despatched to Qualifying Non-CREST Shareholders on 14 May 2008;
- (ii) Computershare will instruct Euroclear UK to credit the appropriate stock accounts of Qualifying CREST Shareholders with such Shareholders' entitlements to Nil Paid Rights with effect from 8.00 a.m. on 15 May 2008;
- (iii) the Nil Paid Rights and the Fully Paid Rights will be enabled for settlement by Euroclear UK by 8.00 a.m. on 15 May 2008, as soon as practicable after the Company has confirmed to Euroclear UK that all the conditions for admission of such rights to CREST have been satisfied;
- (iv) the Euroclear Subscription Rights will be enabled for settlement by Euroclear Nederland by 9.00 a.m. (CET) on 15 May 2008;
- (v) the Dutch Subscription Agent will instruct Euroclear Nederland to credit the appropriate accounts maintained by the relevant Admitted Institutions with the Euroclear Subscription Rights with effect from 9.00 a.m. (CET) on 15 May 2008;
- (vi) New Shares will be credited to the relevant Qualifying Shareholders who validly take up their rights by no later than 11 June 2008; and

- (vii) share certificates for the New Shares will be despatched to Qualifying Non-CREST Shareholders by no later than 16 June 2008.

The offer will be made to Qualifying Non-CREST Shareholders by way of the Provisional Allotment Letter (as described in step (i) above), to Qualifying CREST Shareholders by way of the enablement of the Nil Paid Rights and the Fully Paid Rights (as described in step (iii) above) (such Shareholders' stock accounts having been credited as described in step (ii) above) and to Qualifying Euroclear Shareholders by way of enablement of the Euroclear Subscription Rights (as described in step (iv) above) (such Shareholders' stock accounts having been credited as described in step (v) above).

The New Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Shares, including the right to receive all dividends or other distributions made, paid or declared after the date of this document, save for the 2007 final dividend of 23.1 pence per Ordinary Share announced by RBS on 28 February 2008 and to be paid on 23 May 2008 to holders of Existing Shares on the register of members of RBS at the close of business on 7 March 2008.

All documents including Provisional Allotment Letters (which constitute temporary documents of title) and cheques and certificates posted to, by or from Qualifying Shareholders and/or their transferees or renounees (or their agents, as appropriate) will be posted at their own risk.

Shareholders taking up their rights by completing a Provisional Allotment Letter or by sending a Many-To-Many ("MTM") instruction to Euroclear UK will be deemed to have given the representations and warranties set out in paragraph 2.6.5(i) of this Part III, unless the requirement is waived by RBS.

2 Action to be taken

The action to be taken in respect of the New Shares depends on whether, at the relevant time, the Nil Paid Rights or the Fully Paid Rights in respect of which action is to be taken are in certificated form (that is, are represented by Provisional Allotment Letters) or are in uncertificated form (that is, are in CREST or Euroclear Nederland).

If you are a Qualifying Non-CREST Shareholder, please refer to paragraph 2.1 and paragraphs 2.4 to 2.9 below.

If you hold your Existing Shares in CREST, please refer to paragraph 2.2 and paragraphs 2.4 to 2.9 below and to the CREST Manual for further information on the CREST procedures referred to below. If you hold your Existing Shares through Euroclear Nederland, please refer to paragraph 2.3 and paragraphs 2.4 to 2.9 below.

CREST sponsored members should refer to their CREST sponsors, as only their CREST sponsors will be able to take the necessary actions specified below to take up the entitlements or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of CREST sponsored members. Qualifying Euroclear Shareholders or holders of Euroclear Subscription Rights should refer to their Admitted Institutions.

All enquiries in relation to the Provisional Allotment Letters should be addressed to the Shareholder Helpline on 0870 702 0135 (+44 870 702 0135 if you are calling from outside the United Kingdom) between 9.00 a.m. and 5.00 p.m. Monday to Friday (except bank holidays). For legal reasons, the Shareholder Helpline will not be able to provide advice on the merits of the Rights Issue or to provide financial, tax or investment advice.

2.1 Action to be taken by Qualifying Non-CREST Shareholders in relation to the Nil Paid Rights represented by Provisional Allotment Letters

2.1.1 General

Provisional Allotment Letters are expected to be despatched to Qualifying Non-CREST Shareholders on 14 May 2008. Each Provisional Allotment Letter will set out:

- (i) the holding at the Record Date of Existing Shares in certificated form on which a Qualifying Non-CREST Shareholder's entitlement to New Shares has been based;
- (ii) the aggregate number and cost of New Shares in certificated form which have been provisionally allotted to that Qualifying Non-CREST Shareholder;

- (iii) the procedures to be followed if a Qualifying Non-CREST Shareholder wishes to dispose of all or part of his entitlement or to convert all or part of his entitlement into uncertificated form; and
- (iv) instructions regarding acceptance and payment, consolidation, splitting and registration of renunciation.

On the basis that Provisional Allotment Letters are posted on 14 May 2008, and that dealings in Nil Paid Rights commence on 15 May 2008, **the latest time and date for acceptance and payment in full will be 11.00 a.m. on 6 June 2008.**

If the Rights Issue is delayed so that Provisional Allotment Letters cannot be despatched on 14 May 2008, the expected timetable, as set out at the front of this document, will be adjusted accordingly and the revised dates will be set out in the Provisional Allotment Letters and announced through a Regulatory Information Service. All references in this Part III should be read as being subject to such adjustment.

2.1.2 Procedure for acceptance and payment

- (i) *Qualifying Non-CREST Shareholders who wish to accept in full*

Holders of Provisional Allotment Letters who wish to take up all of their entitlements must return the Provisional Allotment Letter, together with a cheque or banker's draft in pounds sterling, made payable to "The Royal Bank of Scotland plc re RBS Rights Issue" and crossed "A/C payee only", for the full amount payable on acceptance, in accordance with the instructions printed on the Provisional Allotment Letter, by post or by hand (during normal business hours only) to Computershare Investor Services PLC, Corporate Actions 1, The Pavilions, Bridgwater Road, Bristol BS99 6AF, so as to arrive as soon as possible and in any event so as to be received by not later than 11.00 a.m. on 6 June 2008. A reply-paid envelope will be enclosed with the Provisional Allotment Letter for this purpose and for use in the United Kingdom only. If you post your Provisional Allotment Letter within the United Kingdom by first-class post, it is recommended that you allow at least four days for delivery.

- (ii) *Qualifying Non-CREST Shareholders who wish to accept in part*

Holders of Provisional Allotment Letters who wish to take up some but not all of their Nil Paid Rights and wish to sell some or all of those rights which they do not want to take up, should first apply for split Provisional Allotment Letters by completing Form X on the Provisional Allotment Letter and returning it, together with a covering letter stating the number of split Provisional Allotment Letters required and the number of Nil Paid Rights or Fully Paid Rights (if appropriate) to be comprised in each split Provisional Allotment Letter, by post or by hand (during normal business hours only) to Computershare Investor Services PLC, Corporate Actions 1, The Pavilions, Bridgwater Road, Bristol BS99 6AF by 3.00 p.m. on 4 June 2008, the last date and time for splitting Nil Paid Rights or Fully Paid Rights. The Provisional Allotment Letter will then be cancelled and exchanged for the split Provisional Allotment Letters required. Such holders of Provisional Allotment Letters should then deliver the split Provisional Allotment Letter representing the rights they wish to take up together with a cheque or banker's draft in pounds sterling for this number of rights, payable to "The Royal Bank of Scotland plc re RBS Rights Issue" and crossed "A/C payee only" by 11.00 a.m. on 6 June 2008, the last date and time for acceptance. The further split Provisional Allotment Letters (representing the New Shares the Shareholder does not wish to take up) will be required in order to sell those rights not being taken up.

Alternatively, Qualifying Non-CREST Shareholders who wish to take up some of their rights, without selling or transferring the remainder, should complete Form X on the original Provisional Allotment Letter and return it, together with a covering letter confirming the number of rights to be taken up and a cheque or banker's draft in pounds sterling to pay for this number of Shares, by post or by hand (during normal business hours only) to Computershare Investor

Services PLC, Corporate Actions 1, The Pavilions, Bridgwater Road, Bristol BS99 6AF. In this case, the Provisional Allotment Letter and payment must be received by Computershare by 3.00 p.m. on 4 June 2008, the last date and time for splitting Nil Paid Rights.

(iii) *Company's discretion as to validity of acceptances*

If payment is not received in full by 11.00 a.m. on 6 June 2008, the provisional allotment will be deemed to have been declined and will lapse. The Company may elect, with the agreement of Goldman Sachs International, Merrill Lynch International and UBS, but shall not be obliged, to treat as valid Provisional Allotment Letters and accompanying remittances for the full amount due which are received through the post prior to 5.00 p.m. on 6 June 2008.

The Company may also (in its sole discretion) treat a Provisional Allotment Letter as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or is not accompanied by a valid power of attorney where required.

The Company reserves the right to treat as invalid any acceptance or purported acceptance of the New Shares that appears to the Company to have been executed in, dispatched from or that provided an address for delivery of definitive share certificates for New Shares in the United States or an Excluded Territory.

A Qualifying Non-CREST Shareholder who makes a valid acceptance and payment in accordance with this paragraph 2 is deemed to request that the New Shares to which they will become entitled be issued to them on the terms set out in this document and subject to the Memorandum and Articles of Association.

(iv) *Payments*

All payments must be in pounds sterling and made by cheque or banker's draft made payable to "The Royal Bank of Scotland plc re RBS Rights Issue" and crossed "A/C payee only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner. Third party cheques will not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque or draft to such effect. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted. Cheques or banker's drafts will be presented for payment upon receipt. The Company reserves the right to instruct Computershare to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be paid on payments made before they are due. It is a term of the Rights Issue that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted.

If the New Shares have already been allotted to a Qualifying Non-CREST Shareholder prior to any payment not being so honoured upon first presentation or such acceptances being treated as invalid, the Company may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such New Shares on behalf of such Qualifying Non-CREST Shareholders and hold the proceeds of sale (net of the Company's reasonable estimate of any loss it has suffered as a result of the same and of the expenses of the sale, including, without limitation, any stamp duty or SDRT payable on the transfer of such New Shares, and of all amounts payable by such Qualifying Non-CREST Shareholders pursuant to

the terms of the Rights Issue in respect of the acquisition of such New Shares) on behalf of such Qualifying Non-CREST Shareholders. Neither the Company nor the Underwriters nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Qualifying Non-CREST Shareholders as a result.

2.1.3 Money Laundering Regulations

It is a term of the Rights Issue that, to ensure compliance with the Money Laundering Regulations, the Company's registrars, Computershare, may require verification of the identity of the person by whom or on whose behalf a Provisional Allotment Letter is lodged with payment (which requirements are referred to below as the "verification of identity requirements"). The person(s) (the "acceptor") who, by lodging a Provisional Allotment Letter with payment, as described above, accept(s) the allotment of the New Shares (the "relevant shares") comprised in such Provisional Allotment Letter (being the provisional allottee or, in the case of renunciation, the person named in such Provisional Allotment Letter) shall thereby be deemed to agree to provide the Company's registrars and/or the Company with such information and other evidence as they or either of them may require to satisfy the verification of identity requirements.

If the Company's registrars determine that the verification of identity requirements apply to an acceptance of an allotment and the verification of identity requirements have not been satisfied (which the Registrars shall in their absolute discretion determine) by 11.00 a.m. on 6 June 2008, the Company may, in its absolute discretion, and without prejudice to any other rights of the Company, treat the acceptance as invalid or may confirm the allotment of the relevant shares to the acceptor but (notwithstanding any other term of the Rights Issue) such shares will not be issued to him or registered in his name until the verification of identity requirements have been satisfied (which the Registrars shall in their absolute discretion determine). If the acceptance is not treated as invalid and the verification of identity requirements are not satisfied within such period, being not less than seven days after a request for evidence of identity is despatched to the acceptor, as the Company may in its absolute discretion allow, the Company will be entitled to make arrangements (in its absolute discretion as to manner, timing and terms) to sell the relevant shares (and for that purpose the Company will be expressly authorised to act as agent of the acceptor). Any proceeds of sale (net of expenses) of the relevant shares which shall be issued to and registered in the name of the purchaser(s) or an amount equivalent to the original payment, whichever is the lower, will be held by the Company on trust for the acceptor, subject to the requirements of the Money Laundering Regulations. The Company's registrars are entitled in their absolute discretion to determine whether the verification of identity requirements apply to any acceptor and whether such requirements have been satisfied. Neither the Company nor the Company's registrars will be liable to any person for any loss suffered or incurred as a result of the exercise of any such discretion or as a result of any sale of relevant shares.

Return of a Provisional Allotment Letter with the appropriate remittance will constitute a warranty from the acceptor that the Money Laundering Regulations will not be breached by acceptance of such remittance. If the verification of identity requirements apply, failure to provide the necessary evidence of identity may result in your acceptance being treated as invalid or in delays in the despatch of a receipted fully paid Provisional Allotment Letter or a share certificate.

The verification of identity requirements will not usually apply:

- (i) if the acceptor is an organisation required to comply with the Money Laundering Directive 2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing; or
- (ii) if the acceptor is a regulated United Kingdom broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or

- (iii) if the acceptor (not being an acceptor who delivers his acceptance in person) makes payment by way of a cheque drawn on an account in the name of such acceptor; or
- (iv) if the aggregate subscription price for the relevant shares is less than €15,000 (approximately £12,000).

Where the verification of identity requirements apply, please note the following as this will assist in satisfying the requirements. Satisfaction of the verification of identity requirements may be facilitated in the following ways:

- (i) if payment is made by cheque or banker's draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society and bears a UK bank sort code number in the top right-hand corner, the following applies. Cheques should be made payable to "The Royal Bank of Scotland plc re RBS Rights Issue" and crossed "A/C payee only". Third party cheques will not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the building society cheque/banker's draft to such effect. The account name should be the same as that shown on the application;
- (ii) if the Provisional Allotment Letter is lodged with payment by an agent which is an organisation of the kind referred to in (a) above or which is subject to anti money-laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Argentina, Australia, Brazil, Canada, Hong Kong, Iceland, Japan, Mexico, New Zealand, Norway, the Russian Federation, Singapore, South Africa, Switzerland, Turkey, the United States of America and, by virtue of their membership of the Gulf Co-operation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE), the agent should provide written confirmation with the Provisional Allotment Letter that it has that status and a written assurance that it has obtained and recorded evidence of the identity of the persons for whom it acts and that it will on demand make such evidence available to the Company's registrars or the relevant authority; or
- (iii) if a Provisional Allotment Letter is lodged by hand by the acceptor in person, he should ensure that he has with him evidence of identity bearing his photograph (for example, his passport) and evidence of his address.

In order to confirm the acceptability of any written assurance referred to in (iii) above or any other case, the acceptor should contact the Company's registrars.

2.1.4 Dealings in Nil Paid Rights

Assuming the Rights Issue becomes unconditional, dealings on the London Stock Exchange in the Nil Paid Rights are expected to commence at 8.00 a.m. on 15 May 2008. A transfer of Nil Paid Rights can be made by renunciation of the Provisional Allotment Letter in accordance with the instructions printed on it and delivery of the letter to the transferee. The latest time and date for registration of renunciation of Provisional Allotment Letters, nil paid, is expected to be 11.00 a.m. on 6 June 2008.

2.1.5 Dealings in Fully Paid Rights

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this document and the Provisional Allotment Letter, the Fully Paid Rights may be transferred by renunciation of the relevant Provisional Allotment Letter and delivering it, by post or by hand (during normal business hours) to Computershare Investor Services PLC, Corporate Actions 1, The Pavilions, Bridgwater Road, Bristol BS99 6AF, by not later than 11.00 a.m. on 6 June 2008. To do this, Qualifying Non-CREST Shareholders will need to have their fully paid Provisional Allotment Letters returned to them after acceptance has been effected by Computershare. However, fully paid Provisional Allotment Letters will not be returned to Shareholders unless their return is requested by ticking the appropriate box on the Provisional Allotment Letter. After 6 June 2008, the New Shares will be in registered form and transferable in the usual way (see paragraph 2.1.10 below).

2.1.6 Renunciation and splitting of Provisional Allotment Letters

Qualifying Non-CREST Shareholders who wish to transfer all of their Nil Paid Rights or, after acceptance of the provisional allotment and payment in full, Fully Paid Rights comprised in a Provisional Allotment Letter may (save as required by the laws of certain overseas jurisdictions) renounce such allotment by completing and signing Form X on the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and passing the entire Provisional Allotment Letter to their stockbroker or bank or other appropriate financial adviser or to the transferee. Once a Provisional Allotment Letter has been renounced, the letter will become a negotiable instrument in bearer form and the Nil Paid Rights or Fully Paid Rights (as appropriate) comprised in the PAL may be transferred by delivery of the PAL to the transferee. The latest time and date for registration of renunciation of Provisional Allotment Letters, fully paid, is 11.00 a.m. on 6 June 2008.

If a holder of a Provisional Allotment Letter wishes to have only some of the New Shares registered in his name and to transfer the remainder, or wishes to transfer all the Nil Paid Rights or (if appropriate) Fully Paid Rights but to different persons, he may have the Provisional Allotment Letter split, for which purpose he or his agent must complete and sign Form X on the Provisional Allotment Letter. The Provisional Allotment Letter must then be delivered by post or by hand (during normal business hours only) to Computershare Investor Services PLC, Corporate Actions 1, The Pavilions, Bridgwater Road, Bristol BS99 6AF, by not later than 3.00 p.m. on 4 June 2008, to be cancelled and exchanged for the split Provisional Allotment Letters required. The number of split Provisional Allotment Letters required and the number of Nil Paid Rights or (as appropriate) Fully Paid Rights to be comprised in each split letter should be stated in an accompanying letter. Form X on split Provisional Allotment Letters will be marked "Original Duly Renounced" before issue.

The Company reserves the right to refuse to register any renunciation in favour of any person in respect of which the Company believes such renunciation may violate applicable legal or regulatory requirements, including (without limitation) any renunciation in the name of any person with an address outside the United Kingdom.

Alternatively, Qualifying Non-CREST Shareholders who wish to take up some of their rights, without transferring the remainder, should complete Form X on the original Provisional Allotment Letter and return it, together with a covering letter confirming the number of rights to be taken up and a cheque or banker's draft in pounds sterling to pay for this number of New Shares, by post or by hand (during normal business hours only) to Computershare Investor Services PLC, Corporate Actions 1, The Pavilions, Bridgwater Road, Bristol BS99 6AF. In this case, the Provisional Allotment Letter and payment must be received by Computershare by 11.00 a.m. on 6 June 2008.

2.1.7 Registration in names of Qualifying Shareholders

A Qualifying Shareholder who wishes to have all the New Shares to which he is entitled registered in his name must accept and make payment for such allotment in accordance with the provisions set out in this document and the Provisional Allotment Letter but need take no further action. A share certificate is expected to be sent to such Qualifying Shareholders by no later than 16 June 2008.

2.1.8 Registration in names of persons other than Qualifying Shareholders originally entitled

In order to register Fully Paid Rights in certificated form in the name of someone other than the Qualifying Shareholders(s) originally entitled, the renounee or his agent(s) must complete Form Y on the Provisional Allotment Letter (unless the renounee is a CREST member who wishes to hold such New Shares in uncertificated form, in which case Form X and the CREST Deposit Form must be completed (see paragraph 2.2 below)) and deliver the entire Provisional Allotment Letter, when fully paid, by post or by hand (during normal business hours) to Computershare Investor Services PLC, Corporate Actions 1, The Pavilions, Bridgwater Road, Bristol BS99 6AF, by not later than the latest time for registration of renunciations, which is expected to be 11.00 a.m. on 6 June 2008. Registration cannot be effected unless and until the New Shares comprised in a Provisional Allotment Letter are fully paid.

The New Shares comprised in several renounced Provisional Allotment Letters may be registered in the name of one holder (or joint holders) if Form Y on the Provisional Allotment Letter is completed on one Provisional Allotment Letter (the "Principal Letter") and all the Provisional Allotment Letters are delivered in one batch. Details of each Provisional Allotment Letter (including the Principal Letter) should be listed in the Consolidated Listing Form adjacent to Forms X and Y of the Principal Letter and the allotment number of the Principal Letter should be entered in the space provided on each of the other Provisional Allotment Letters.

2.1.9 Deposit of Nil Paid Rights or Fully Paid Rights into CREST

The Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter may be converted into uncertificated form, that is, deposited into CREST (whether such conversion arises as a result of a renunciation of those rights or otherwise). Similarly, Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Subject as provided in the next following paragraph or in the Provisional Allotment Letter, normal CREST procedures and timings apply in relation to any such conversion. You are recommended to refer to the CREST Manual for details of such procedures.

The procedure for depositing the Nil Paid Rights represented by the Provisional Allotment Letter into CREST, whether such rights are to be converted into uncertificated form in the name(s) of the person(s) whose name(s) and address appear(s) on page 1 of the Provisional Allotment Letter or in the name of a person or persons to whom the Provisional Allotment Letter has been renounced, is as follows: Form X and the CREST Deposit Form (both on the Provisional Allotment Letter) will need to be completed and the Provisional Allotment Letter deposited with the CREST Courier and Sorting Service ("CCSS"). In addition, the normal CREST Stock Deposit procedures will need to be carried out, except that (a) it will not be necessary to complete and lodge a separate CREST Transfer Form (prescribed under the Stock Transfer Act 1963) with the CCSS and (b) only the whole of the Nil Paid Rights or the Fully Paid Rights represented by the Provisional Allotment Letter may be deposited into CREST. If you wish to deposit some only of the Nil Paid Rights or the Fully Paid Rights represented by the Provisional Allotment Letter into CREST, you must first apply for split Provisional Allotment Letters by following the instructions in paragraph 2.1.2 above. If the rights represented by more than one Provisional Allotment Letter are to be deposited, the CREST Deposit Form on each Provisional Allotment Letter must be completed and deposited. The Consolidation Listing Form (as defined in the Regulations) must not be used.

A holder of the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) represented by a Provisional Allotment Letter who is proposing to convert those rights into uncertificated form (whether following a renunciation of such rights or otherwise) is recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) in CREST following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 6 June 2008. **In particular, having regard to processing times in CREST and on the part of Computershare, the latest recommended time for depositing a renounced Provisional Allotment Letter (with Form X and the CREST Deposit Form on the Provisional Allotment Letter duly completed) with the CCSS in order to enable the person acquiring the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) in CREST as a result of the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 6 June 2008 is 3.00 p.m. on 3 June 2008.**

When Form X and the CREST Deposit Form (on the Provisional Allotment Letter) have been completed, the title to the Nil Paid Rights or the Fully Paid Rights represented by the Provisional Allotment Letters will cease to be renounceable or transferable by delivery, and for the avoidance of doubt any entries in Form Y will not subsequently be recognised or acted upon by Computershare. All renunciations or transfers of Nil Paid Rights or Fully Paid Rights must be effected through the CREST system once such Nil Paid Rights or Fully Paid Rights have been deposited into CREST.

CREST sponsored members should contact their CREST sponsor as only their CREST sponsor will be able to take the necessary action to take up the entitlement or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of the CREST sponsored member.

2.1.10 Issue of New Shares in definitive form

Definitive share certificates in respect of the New Shares to be held in certificated form are expected to be despatched by post by 16 June 2008 at the risk of the persons entitled thereto to Qualifying Non-CREST Shareholders (or their transferees who hold Fully Paid Rights in certificated form), or in the case of joint holdings, to the first-named Shareholders, at their registered address (unless lodging agent details have been completed on the Provisional Allotment Letter). After despatch of the definitive share certificates, Provisional Allotment Letters will cease to be valid for any purpose whatsoever. Pending despatch of definitive share certificates, instruments of transfer of the New Shares will be certified by Computershare against the register.

2.2 Action to be taken by Qualifying CREST Shareholders in relation to Nil Paid Rights and Fully Paid Rights in CREST

2.2.1 General

It is expected that each Qualifying CREST Shareholder will receive a credit to his stock account in CREST of his entitlement to Nil Paid Rights on 15 May 2008. It is expected that such rights will be enabled by 8.00 a.m. on 15 May 2008. The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Shares in uncertificated form held at the close of business on the Record Date by the Qualifying CREST Shareholder in respect of which the Nil Paid Rights are provisionally allotted.

The Nil Paid Rights will constitute a separate security for the purposes of CREST and can accordingly be transferred, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST.

If, for any reason, it is impracticable to credit the stock accounts of Qualifying CREST Shareholders, or to enable the Nil Paid Rights by 8.00 a.m. on 15 May 2008, Provisional Allotment Letters shall, unless the Company determines otherwise, be sent out in substitution for the Nil Paid Rights which have not been so credited or enabled and the expected timetable as set out in this document will be adjusted as appropriate.

References to dates and times in this document should be read as subject to any such adjustment. The Company will make an appropriate announcement to a Regulatory Information Service giving details of any revised dates **but Qualifying CREST Shareholders may not receive any further written communication.**

CREST members who wish to take up their entitlements in respect of or otherwise to transfer Nil Paid Rights or Fully Paid Rights held by them in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST sponsored member, you should consult your CREST sponsor if you wish to take up your entitlement as only your CREST sponsor will be able to take the necessary action to take up your entitlements or otherwise to deal with your Nil Paid Rights or Fully Paid Rights.

2.2.2 Procedure for acceptance and payment

(i) MTM instructions

CREST members who wish to take up all or some of their entitlement in respect of Nil Paid Rights in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an MTM instruction to Euroclear UK that, on its settlement, will have the following effect:

- (a) the crediting of a stock account of Computershare under the participant ID and member account ID specified below, with the number of Nil Paid Rights to be taken up;

- (b) the creation of a settlement bank payment obligation (as this term is defined in the CREST Manual), in accordance with the RTGS payment mechanism (as this term is defined in the CREST Manual), in favour of the RTGS settlement bank of Computershare in pounds sterling in respect of the full amount payable on acceptance in respect of the Nil Paid Rights referred to in paragraph 2.2.2(i)(a) above; and
- (c) the crediting of a stock account of the accepting CREST member (being an account under the same participant ID and member account ID as the account from which the Nil Paid Rights are to be debited on settlement of the MTM instruction) of the corresponding number of Fully Paid Rights to which the CREST member is entitled on taking up his Nil Paid Rights referred to in paragraph 2.2.2(i)(a) above.

(ii) *Contents of MTM instructions*

The MTM instruction must be properly authenticated in accordance with Euroclear UK's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (a) the number of Nil Paid Rights to which the acceptance relates;
- (b) the participant ID of the accepting CREST member;
- (c) the member account ID of the accepting CREST member from which the Nil Paid Rights are to be debited;
- (d) the participant ID of Computershare, in its capacity as a CREST receiving agent. This is 3RA48;
- (e) the member account ID of Computershare, in its capacity as a CREST receiving agent. This is RBOS;
- (f) the number of Fully Paid Rights that the CREST member is expecting to receive on settlement of the MTM instruction. This must be the same as the number of Nil Paid Rights to which the acceptance relates;
- (g) the amount payable by means of the CREST assured payment arrangements on settlement of the MTM instruction. This must be the full amount payable on acceptance in respect of the number of Nil Paid Rights referred to in paragraph 2.2.2(ii)(a) above;
- (h) the intended settlement date. This must be on or before 11.00 a.m. on 6 June 2008;
- (i) the Nil Paid Rights ISIN number which is GB00B2R3F116;
- (j) the Fully Paid Rights ISIN number which is GB00B2R3F009;
- (k) the Corporate Action Number for the Rights Issue. This will be available by viewing the relevant corporate action details in CREST; and
- (l) contact name and telephone number in the shared note field.

(iii) *Valid acceptance*

An MTM instruction complying with each of the requirements as to authentication and contents set out in paragraph 2.2.2(ii) above will constitute a valid acceptance where either:

- (a) the MTM instruction settles by not later than 11.00 a.m. on 6 June 2008; or
- (b) at the discretion of the Company:
 - (I) the MTM instruction is received by Euroclear UK by not later than 11.00 a.m. on 6 June 2008; and
 - (II) a number of Nil Paid Rights at least equal to the number of Nil Paid Rights inserted in the MTM instruction is credited to the CREST stock

member account of the accepting CREST member specified in the MTM instruction at 11.00 a.m. on 6 June 2008.

An MTM instruction will be treated as having been received by Euroclear UK for these purposes at the time at which the instruction is processed by the Network Providers' Communications Host (as this term is defined in the CREST Manual) at Euroclear UK of the network provider used by the CREST member (or by the CREST sponsored member's CREST sponsor). This will be conclusively determined by the input time stamp applied to the MTM instruction by the Network Providers' Communications Host.

(iv) *Representations, warranties and undertakings of CREST members*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with this paragraph 2.2.2 represents, warrants and undertakes to the Company and the Underwriters that he has taken (or procured to be taken), and will take (or will procure to be taken), whatever action is required to be taken by him or by his CREST sponsor (as appropriate) to ensure that the MTM instruction concerned is capable of settlement at 11.00 a.m. on 6 June 2008. In particular, the CREST member or CREST sponsored member represents, warrants and undertakes that, at 11.00 a.m. on 6 June 2008 (or until such later time and date as the Company may determine), there will be sufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account to be debited with the amount payable on acceptance to permit the MTM instruction to settle. CREST sponsored members should contact their CREST sponsor if they are in any doubt.

If there is insufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account of a CREST member or CREST sponsored member for such amount to be debited or the CREST member's or CREST sponsored member's acceptance is otherwise treated as invalid and New Shares have already been allotted to such CREST member or CREST sponsored member, the Company may (in its absolute discretion as to the manner, timing and terms) make arrangements for the sale of such New Shares on behalf of that CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale, including, without limitation, any stamp duty or SDRT payable on the transfer of such New Shares, and of all amounts payable by the CREST member or CREST sponsored member pursuant to the Rights Issue in respect of the acquisition of such New Shares) on behalf of such CREST member or CREST sponsored member. Neither the Company nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such CREST member or CREST sponsored member as a result.

(v) *CREST procedures and timings*

CREST members and CREST sponsors (on behalf of CREST sponsored members) should note that Euroclear UK does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of an MTM instruction and its settlement in connection with the Rights Issue. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 11.00 a.m. on 6 June 2008. In connection with this, CREST members and (where applicable) CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(vi) *CREST member's undertaking to pay*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this paragraph 2.2.2, (a) undertakes to

pay to the Company, or procure the payment to the Company of, the amount payable in pounds sterling on acceptance in accordance with the above procedures or in such other manner as the Company may require (it being acknowledged that, where payment is made by means of CREST RTGS payment mechanism, the creation of an RTGS payment obligation in pounds sterling in favour of Computershare's RTGS settlement bank (as defined in the CREST Manual) in accordance with the RTGS payment mechanism shall, to the extent of the obligation so created, discharge in full the obligation of the CREST member (or CREST sponsored member) to pay to the Company the amount payable on acceptance) and (b) requests that the Fully Paid Rights and/or New Shares to which he will become entitled be issued to him on the terms set out in this document and subject to the Memorandum and Articles of Association of the Company.

If the payment obligations of the relevant CREST member or CREST sponsored member in relation to such New Shares are not discharged in full and such New Shares have already been allotted to the CREST member or CREST sponsored member, the Company may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such Shares on behalf of the CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss it has suffered as a result of the same and of the expenses of the sale, including, without limitation, any stamp duty or SDRT payable on the transfer of such Shares, and of all amounts payable by such CREST member or CREST sponsored member pursuant to the terms of the Rights Issue in respect of the acquisition of such Shares) or an amount equal to the original payment of the CREST member or CREST sponsored member. Neither the Company nor the Underwriters nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by the CREST member or CREST sponsored member as a result.

(vii) *Company's discretion as to rejection and validity of acceptances*

The Company may agree in its absolute sole discretion to:

- (a) reject any acceptance constituted by an MTM instruction, which is otherwise valid, in the event of breach of any of the representations, warranties and undertakings set out or referred to in this paragraph 2.2.2. Where an acceptance is made as described in this paragraph 2.2.2, which is otherwise valid, and the MTM instruction concerned fails to settle by 11.00 a.m. on 6 June 2008 (or by such later time and date as the Company and the Underwriters have determined), the Company and the Underwriters shall be entitled to assume, for the purposes of its right to reject an acceptance contained in this paragraph 2.2.2, that there has been a breach of the representations, warranties and undertakings set out or referred to in this paragraph 2.2.2 unless the Company is aware of any reason outside the control of the CREST member or CREST sponsor (as appropriate) for the failure to settle;
- (b) treat as valid (and binding on the CREST member or CREST sponsored member concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in this paragraph 2.2.2;
- (c) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid acceptance in substitution for, or in addition to, an MTM instruction and subject to such further terms and conditions as the Company and the Underwriters may determine;
- (d) treat a properly authenticated dematerialised instruction (in this paragraph 2.2.2(vii)(d) (the "first instruction") as not constituting a valid acceptance if, at the time at which Computershare receives a properly authenticated dematerialised instruction giving details of the first instruction,

either the Company or Computershare has received actual notice from Euroclear UK of any of the matters specified in Regulation 35(5)(a) of the Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and

- (e) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for acceptance and/or settlement of an MTM instruction or any alternative instruction or notification, if, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to take up all or part of his Nil Paid Rights by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by Computershare in connection with CREST.

2.2.3 Money Laundering Regulations

If you hold your Nil Paid Rights in CREST and apply to take up all or part of your entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, Computershare is entitled to take reasonable measures to establish the identity of the person or persons (or the ultimate controller of such person or persons) on whose behalf you are making the application. You must therefore contact Computershare before sending any MTM instruction or other instruction so that appropriate measures may be taken.

Submission of an MTM instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above constitutes a warranty and undertaking by the applicant to provide promptly to Computershare any information Computershare may specify as being required for the purposes of the verification of the identity requirements in the Money Laundering Regulations or the FSMA. Pending the provision of such information and other evidence as Computershare may require to satisfy the verification of identity requirements, Computershare, having consulted with the Company, may take, or omit to take, such action as it may determine to prevent or delay settlement of the MTM instruction. If such information and other evidence of identity has not been provided within a reasonable time, then Computershare will not permit the MTM instruction concerned to proceed to settlement but without prejudice to the right of the Company and/or the Underwriters to take proceedings to recover any loss suffered by it as a result of failure by the applicant to provide such information and other evidence.

2.2.4 Dealings in Nil Paid Rights in CREST

Assuming the Rights Issue becomes unconditional, dealings in the Nil Paid Rights on the London Stock Exchange are expected to commence at 8.00 a.m. on 15 May 2008. A transfer (in whole or in part) of Nil Paid Rights can be made by means of CREST in the same manner as any other security that is admitted to CREST. The Nil Paid Rights are expected to be disabled in CREST after the close of CREST business on 6 June 2008.

2.2.5 Dealings in Fully Paid Rights in CREST

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this document, the Fully Paid Rights may be transferred by means of CREST in the same manner as any other security that is admitted to CREST. The last time for settlement of any transfer of Fully Paid Rights in CREST is expected to be 9.30 a.m. on 6 June 2008. The Fully Paid Rights are expected to be disabled in CREST after the close of CREST business on 6 June 2008. After 6 June 2008, the New Shares will be registered in the name(s) of the person(s) entitled to them in the Company's register of members and will be transferable in the usual way (see paragraph 2.2.7 below).

2.2.6 Withdrawal of Nil Paid Rights or Fully Paid Rights from CREST

Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Normal CREST procedures (including timings) apply in relation to any such conversion.

The recommended latest time for receipt by Euroclear UK of a properly authenticated dematerialised instruction requesting withdrawal of Nil Paid Rights or, if appropriate, Fully Paid Rights from CREST is 4.30 p.m. on 2 June 2008, so as to enable the person acquiring or (as appropriate) holding the Nil Paid Rights or, if appropriate, Fully Paid Rights following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 6 June 2008. You are recommended to refer to the CREST Manual for details of such procedures.

2.2.7 Issue of New Shares in CREST

Fully Paid Rights in CREST are expected to be disabled in CREST after the close of CREST business on 6 June 2008 (the latest date for settlement of transfers of Fully Paid Rights in CREST). New Shares (in definitive form) will be issued in uncertificated form to those persons registered as holding Fully Paid Rights in CREST at the close of business on the date on which the Fully Paid Rights are disabled. Computershare will instruct Euroclear UK to credit the appropriate stock accounts of those persons (under the same participant ID and member account ID that applied to the Fully Paid Rights held by those persons) with their entitlements to New Shares with effect from the next business day (expected to be 9 June 2008).

2.2.8 Right to allot/issue in certificated form

Despite any other provision of this document, the Company reserves the right to allot and/or issue any Nil Paid Rights, Fully Paid Rights or New Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by Computershare in connection with CREST.

2.3 Action to be taken by Qualifying Euroclear Shareholders or holders of Euroclear Subscription Rights in relation to Euroclear Subscription Rights

2.3.1 General

For all enquiries in connection with the procedure for subscription and payment by Qualifying Euroclear Shareholders or holders of Euroclear Subscription Rights, such persons should refer to their respective Admitted Institution.

2.3.2 Procedure for acceptance and payment by Qualifying Euroclear Shareholders

Shares traded on Euronext Amsterdam are registered in the name of Euroclear Nederland. Euroclear Nederland is a CREST member and will hold legal title to the Nil Paid Rights issued to it, for the benefit of the Qualifying Euroclear Shareholders and holders of Euroclear Subscription Rights in accordance with the Netherlands Securities Giro Act. Euroclear Nederland will credit the accounts of its Admitted Institutions with the relevant number of Euroclear Subscription Rights, reflecting the Nil Paid Rights, at 9.00 a.m. (CET) on 15 May 2008, and the Admitted Institutions will credit the appropriate securities accounts of the Qualifying Euroclear Shareholders. Euroclear Nederland will be, as a Qualifying CREST Shareholder, invited to take up its entitlement in respect of the Nil Paid Rights held by it in CREST. In order to enable Euroclear Nederland to take up such entitlement by making an instruction in accordance with the wishes of holders of Euroclear Subscription Rights, the following procedure for taking up entitlements will apply for holders of Euroclear Subscription Rights. The terms of the Rights Issue apply *mutatis mutandis* to this subscription process.

To establish the entitlements of Qualifying Euroclear Shareholders to New Shares, tradable and transferable Euroclear Subscription Rights will be used within the system of Euroclear Nederland, under which each Qualifying Euroclear Shareholder will receive one Euroclear

Subscription Right for each Euronext Share held at the close of business on Euronext Amsterdam on 14 May 2008.

Qualifying Euroclear Shareholders should be informed by the Admitted Institution through which they hold their Euronext Shares of the number of New Shares for which they are entitled to subscribe under the Rights Issue. Any such subscription will be conditional on the Rights Issue becoming unconditional. Qualifying Euroclear Shareholders should contact their Admitted Institution if they have received no information in relation to their entitlements. If a holder of Euroclear Subscription Rights wishes to subscribe for New Shares under the Rights Issue, it must instruct its Admitted Institution with respect to subscription and payment in accordance with the procedures of that Admitted Institution, which will be responsible for instructing the Dutch Subscription Agent accordingly.

Subscriptions of New Shares must be received by the Dutch Subscription Agent as soon as possible but in any event no later than 3.00 p.m. (CET) on 3 June 2008. Subscriptions under the Rights Issue are irrevocable and will not be acknowledged or confirmed. Payment for New Shares and delivery of the relevant Euroclear Subscription Rights must be received by the Dutch Subscription Agent by no later than 10.00 a.m. (CET) on 6 June 2008.

The Admitted Institution through which subscription is made will be responsible for passing on the monies and the Euroclear Subscription Rights as received from holders of Euroclear Subscription Rights to the Dutch Subscription Agent, who will, in turn be responsible for paying to the Company on behalf of Euroclear Nederland, the aggregate amount (in pounds sterling) equal to the product of the number of New Shares subscribed for and the Issue Price and will, as agent for Euroclear Nederland, pay to HMRC the amount of 3 pence per share (which will be rounded to the nearest pence) in respect of stamp duty reserve tax funded by the Company.

By making a subscription for the Rights Issue, you as a holder of Euroclear Subscription Rights:

- (i) agree that all applications, acceptances of applications and contracts resulting therefrom under the Rights Issue shall be governed by, and construed in accordance with, English law, provided that if and to the extent that (a) the provisions of the Netherlands Securities Giro Act, or the procedures determined by Euroclear Nederland from time to time otherwise require, and/or (b) the applicable procedures of the financial institution through which you hold your Euronext Shares apply, the same shall be governed by the laws of the Netherlands (or, in respect of the procedures referred to in (b), any other applicable law);
- (ii) confirm that, in making the application, you are not relying on any information or representation other than such as may be contained in this document and you, accordingly, agree that no person responsible solely or jointly for this document or any part of it, or any person involved in its preparation, shall have any liability for any representation or information not so contained; and
- (iii) confirm that you are a holder of one or more Euroclear Subscription Rights, and are acting in accordance with relevant securities laws.

Delivery of the interests in the New Shares to subscribing holders of Euroclear Subscription Rights will take place through the book-entry facilities of Euroclear Nederland in accordance with the provisions of the Netherlands Securities Giro Act and the procedures determined by Euroclear Nederland and its Admitted Institutions from time to time. The timing of the crediting of the interests in and corresponding to the New Shares to the securities accounts of holders of Euroclear Subscription Rights may vary depending on the securities account systems of the relevant Admitted Institutions and, if applicable, other banks or financial institutions.

All questions concerning the timelines, validity and form of instruction and payment to the Admitted Institution of a holder of Euroclear Subscription Rights in relation to the subscription of New Shares will be determined by such Admitted Institution in accordance

with its usual terms of business or as it otherwise notifies such holder of Euroclear Subscription Rights.

Any Qualifying Euroclear Shareholder or holder of Euroclear Subscription Rights who does not wish to subscribe for any of the New Shares to which he/she is entitled under the Rights Issue should not make a subscription.

The Company reserves the right to treat an application as valid and binding on the person(s) by whom or on whose behalf it is made, even if it is not made in accordance with the relevant instructions and is not accompanied by the required payment or verification of identity satisfactory to the Company to ensure that the Money Laundering Regulations would not be breached by acceptance of the payment submitted in connection with the subscription.

2.3.3 Money Laundering Rules

If one or more subscription(s) in respect of New Shares pursuant to the Rights Issue with an aggregate subscription price of €15,000 (approximately £12,000) or more is lodged by hand by the applicant in person or if an application in respect of such New Shares is lodged by hand by the applicant in person and the accompanying payment is not the applicant's own cheque, he should ensure that he has with him evidence of identity bearing his photograph (for example his passport) and evidence of his address.

2.3.4 Transfers of Euroclear Subscription Rights in Euroclear Nederland

Transfers of Euroclear Subscription Rights will take place through the book-entry facilities of Euroclear Nederland in accordance with the provisions of the Netherlands Securities Giro Act and the procedures determined by Euroclear Nederland and its Admitted Institutions from time to time. The timing of the crediting of the Euroclear Subscription Rights to the securities accounts of any person acquiring Euroclear Subscription Rights may vary depending on the securities account systems of the respective Admitted Institution and, if applicable, other banks or financial institutions. Euroclear Subscription Rights will trade on Euronext Amsterdam until 1.00 p.m. (CET) on 3 June 2008.

2.3.5 No Trading of Fully Paid Rights on Euronext Amsterdam

As a result of (i) Admitted Institutions customarily communicating their subscriptions and making their payments only by the end of the subscription period, and (ii) restrictions of the trading system of Euronext Amsterdam, there will be no allotment of fully paid New Shares to subscribing holders of Euroclear Subscription Rights and there will not be any trade in such Fully Paid Rights on Euronext Amsterdam.

It is expected that on 3 June 2008, after the Admitted Institutions have made their subscriptions on behalf of the relevant holders of Euroclear Subscription Rights, the Dutch Subscription Agent will allot the relevant number of New Shares to the appropriate Admitted Institutions. Subsequently, the Admitted Institutions will credit the securities accounts of the subscribing holders of Euroclear Subscription Rights with the allotted number of New Shares, which may be traded on Euronext Amsterdam.

2.4 Procedure in respect of rights not taken up (whether certificated or in CREST or in Euroclear Nederlands) and withdrawal

2.4.1 Procedure in respect of New Shares not taken up

If an entitlement to New Shares is not validly taken up by 11.00 a.m. on 6 June 2008, in accordance with the procedure laid down for acceptance and payment, then that provisional allotment will be deemed to have been declined and will lapse. The Underwriters will endeavour to procure, by not later than 4.30 p.m. on the second business day after 6 June 2008, subscribers for all of those New Shares not taken up at a price per New Share which is at least equal to the aggregate of the Issue Price and the expenses of procuring such subscribers (including any applicable brokerage and commissions and amounts in respect of value added tax).

Notwithstanding the above, the Underwriters may cease to endeavour to procure any such subscribers if, in their opinion, it is unlikely that any such subscribers can be procured at

such a price and by such a time. If and to the extent that subscribers for New Shares cannot be procured on the basis outlined above, the relevant New Shares will be subscribed for by the Underwriters or their sub-underwriters at the Issue Price pursuant to the terms of the Underwriting Agreement.

Any premium over the aggregate of the Issue Price and the expenses of procuring subscribers (including any applicable brokerage and commissions and amounts in respect of value added tax) shall be paid (subject as provided in this paragraph 2.4):

- (i) where the Nil Paid Rights were, at the time they lapsed, represented by a Provisional Allotment Letter, to the person whose name and address appeared on the Provisional Allotment Letter;
- (ii) where the Nil Paid Rights were, at the time they lapsed, in uncertificated form, to the person registered as the holder of those Nil Paid Rights at the time of their disablement in CREST; and
- (iii) where an entitlement to New Shares was not taken up by an Overseas Shareholder, to that Overseas Shareholder.

Any premium paid to Euroclear Nederland as registered holder of lapsed Nil Paid Rights will be distributed by Euroclear Nederland to the relevant Admitted Institutions, who will credit the relevant premiums to the accounts of the holders of lapsed Euroclear Subscription Rights entitled thereto.

New Shares for which subscribers are procured on this basis will be reallocated to the subscribers and the aggregate of any premiums (being the amount paid by the subscribers after deducting the Issue Price and the expenses of procuring the subscribers, including any applicable brokerage and commissions and amounts in respect of value added tax), if any, will be paid (without interest) to those persons entitled (as referred to above) pro rata to the relevant lapsed provisional allotments, save that amounts of less than £5.00 per holding will not be so paid but will be aggregated and retained for the benefit of the Company. Cheques for the amounts due will be sent by post, at the risk of the person(s) entitled, to their registered addresses (the registered address of the first-named in the case of joint holders), provided that, where any entitlement concerned was held in CREST, the amount due will, unless the Company (in its absolute discretion) otherwise determines, be satisfied by the Company procuring the creation of an assured payment obligation in favour of the relevant CREST member's (or CREST sponsored member's) RTGS settlement bank in respect of the cash amount concerned in accordance with the RTGS payment mechanism.

Any transactions undertaken pursuant to this paragraph 2.4 or paragraph 2.6.1 below shall be deemed to have been undertaken at the request of the persons entitled to the lapsed provisional allotments or other entitlements and neither the Company nor the Underwriters nor any other person procuring subscribers shall be responsible for any loss or damage (whether actual or alleged) arising from the terms or timing of any such subscription, any decision not to endeavour to procure subscribers or the failure to procure subscribers on the basis so described. The Underwriters will be entitled to retain any brokerage fees, commissions or other benefits received in connection with these arrangements.

2.4.2 Withdrawal rights

Persons who have the right to withdraw their acceptances under Section 87Q(4) of the FSMA after a supplementary prospectus (if any) has been published and who wish to exercise such right of withdrawal must do so by lodging a written notice of withdrawal (which shall not include a notice sent by facsimile or any other form of electronic communication), which must include the full name and address of the person wishing to exercise such statutory withdrawal rights and, if such person is a CREST member, the participant ID and the member account ID of such CREST member, with Computershare Investor Services PLC, Corporate Actions 1, The Pavilions, Bridgwater Road, Bristol BS99 6AF so as to be sent no later than two business days after the date on which the supplementary prospectus was published. Notice of withdrawal given by any other means or which is deposited with or received by Computershare Investor Services PLC after the

expiry of such period will not constitute a valid withdrawal. Furthermore, the Company will not permit the exercise of withdrawal rights after payment by the relevant Shareholder of its subscription in full and the allotment of the New Shares to such Shareholder becoming unconditional. In such circumstances, Shareholders are advised to consult their professional advisers.

Provisional allotments of entitlements to New Shares which are the subject of a valid withdrawal notice will be deemed to be declined. Such entitlements to New Shares will be subject to the provisions of paragraph 2.4.1 above as if the entitlement had not been validly taken up.

2.5 Taxation

The information contained in Part XI of this document is intended only as a general guide to the current tax position in the United Kingdom and the United States and Qualifying Shareholders should consult their own tax advisers regarding the tax treatment of the Rights Issue in light of their own circumstances.

2.6 Overseas Shareholders

This document has been approved by the FSA, being the competent authority in the United Kingdom. The Company has requested that the FSA provides a certificate of approval and a copy of this document to the relevant competent authorities in the Netherlands, France, Germany, Ireland and Spain, pursuant to the passporting provisions of FSMA. In addition, the Rights Issue will be extended to Shareholders in Japan and Canada.

Accordingly, the making of the proposed offer of New Shares to persons located or resident in, or who are citizens of, or who have a registered address in countries other than the United Kingdom, the Netherlands, France, Germany, Ireland, Spain, Japan and Canada may be affected by the law or regulatory requirements of the relevant jurisdiction. Any Shareholder who is in any doubt as to his position should consult an appropriate professional adviser without delay.

2.6.1 General

The making or acceptance of the proposed offer of New Shares to persons who have registered addresses outside the United Kingdom, or who are resident in, or citizens of, countries other than the United Kingdom, may be affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.

It is also the responsibility of any person (including, without limitation, custodians, nominees and trustees) outside the United Kingdom wishing to take up rights under the Rights Issue to satisfy himself as to the full observance of the laws of any relevant territory in connection therewith, including the obtaining of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territories. The comments set out in this paragraph 2.6 are intended as a general guide only and any Overseas Shareholder who is in doubt as to his position should consult his professional adviser without delay.

Receipt of this document and/or Provisional Allotment Letter or the crediting of Nil Paid Rights to a stock account in CREST or of Euroclear Subscription Rights to an account with an Admitted Institution will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this document and/or a Provisional Allotment Letter must be treated as sent for information only and should not be copied or redistributed.

New Shares will be provisionally allotted (nil paid) to all Shareholders on the register at the Record Date. However, Provisional Allotment Letters will not be sent to, and Nil Paid Rights will not be credited to CREST accounts, and Euroclear Subscription Rights will not be credited to the accounts with an Admitted Institution of, Shareholders with registered addresses in the United States or the Excluded Territories or their agent or intermediary,

except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

No person receiving a copy of this document and/or a Provisional Allotment Letter and/or receiving a credit of Nil Paid Rights to a stock account in CREST or of Euroclear Subscription Rights to a Euroclear Nederland securities account with a bank or financial institution in any territory other than the United Kingdom or the Netherlands, France, Germany, Ireland, Spain, Japan or Canada may treat the same as constituting an invitation or offer to him nor should he in any event use the Provisional Allotment Letter or deal with Nil Paid Rights or Fully Paid Rights in CREST or Euroclear Subscription Rights in Euroclear Nederland unless, in the relevant territory, such an invitation or offer could lawfully be made to him or the Provisional Allotment Letter could lawfully be used or dealt with without contravention of any registration or other legal requirements. In such circumstances, this document and the Provisional Allotment Letter are to be treated as sent for information only and should not be copied or redistributed.

Persons (including, without limitation, custodians, nominees and trustees) receiving a copy of this document and/or a Provisional Allotment Letter or whose stock account is credited with Nil Paid Rights, Euroclear Subscription Rights or Fully Paid Rights should not, in connection with the Rights Issue, distribute or send the same or transfer Nil Paid Rights, Euroclear Subscription Rights or Fully Paid Rights in or into any jurisdiction where to do so would or might contravene local security laws or regulations. If a Provisional Allotment Letter or a credit of Nil Paid Rights, Euroclear Subscription Rights or Fully Paid Rights is received by any person in any such territory, or by his agent or nominee, he must not seek to take up the rights referred to in the Provisional Allotment Letter or in this document or renounce the Provisional Allotment Letter or transfer the Nil Paid Rights, Euroclear Subscription Rights or Fully Paid Rights unless the Company determines that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, nominees and trustees) who does forward this document or a Provisional Allotment Letter or transfer Nil Paid Rights, Euroclear Subscription Rights or Fully Paid Rights into any such territories (whether pursuant to a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph 2.6.

Subject to paragraphs 2.6.2, 2.6.3, 2.6.4 and 2.6.5 below, any person (including, without limitation, agents, nominees and trustees) outside the United Kingdom, the Netherlands, France, Germany, Ireland, Spain, Japan or Canada wishing to take up their rights under the Rights Issue must satisfy himself as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. The comments set out in this paragraph 2.6 are intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.

The Company reserves the right to treat as invalid and will not be bound to allot or issue any New Shares in respect of any acceptance or purported acceptance of the offer of New Shares which:

- (i) appears to the Company or its agents to have been executed, effected or despatched from the United States or an Excluded Territory; or
- (ii) in the case of a Provisional Allotment Letter, provides an address for delivery of the share certificates in or, in the case of a credit of New Shares in CREST, to a CREST member or CREST sponsored member whose registered address would be in the United States or an Excluded Territory or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or make such a credit.

The attention of Overseas Shareholders with registered addresses in the United States or any of the Excluded Territories is drawn to paragraphs 2.6.2 to 2.6.6 below.

Entitlements to Nil Paid Rights to which Shareholders with registered addresses in the United States or any of the Excluded Territories would otherwise be entitled will be

aggregated with entitlements to Nil Paid Rights which have not been taken up by other Shareholders and, if possible, sold as described in paragraph 2.3.1 above. The net proceeds of such sales (after deduction of expenses) will be paid to the relevant Shareholders pro-rated to their holdings of Existing Shares at the Record Date as soon as practicable after receipt, except that (i) individual amounts of less than £5.00 per holding and (ii) amounts in respect of fractions will not be distributed but will be retained for the benefit of the Company. None of the Company, the Underwriters or any other person shall be responsible or have any liability whatsoever for any loss or damage (actual or alleged) arising from the terms or the timing of the acquisition or the procuring of it or any failure to procure subscribers.

Despite any other provision of this document or the Provisional Allotment Letter, the Company reserves the right to permit any Shareholder to take up his rights if the Company in its sole and absolute discretion is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions in question.

These Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in paragraphs 2.1.2 (Qualifying Non-CREST Shareholders) and 2.2.2 (Qualifying CREST Shareholders) above.

Overseas Shareholders should note that all subscription monies must be in pounds sterling by cheque or banker's draft and should be drawn on a bank in the United Kingdom, made payable to "The Royal Bank of Scotland plc re RBS Rights Issue" and crossed "A/C payee only".

2.6.2 United States of America

The Nil Paid Rights, the Euroclear Subscription Rights, the Fully Paid Rights, the New Shares and the Provisional Allotment Letters have not been and will not be registered under the US Securities Act or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

Accordingly, the Company is not extending the Rights Issue into the United States unless an exemption from the registration requirements of the US Securities Act is available and, subject to certain exceptions, none of this document and the Provisional Allotment Letter constitutes or will constitute an offer or an invitation to apply for or an offer or an invitation to acquire any Nil Paid Rights, Euroclear Subscription Rights, Fully Paid Rights or New Shares in the United States. Subject to certain exceptions, neither this document nor a Provisional Allotment Letter will be sent to, and no Nil Paid Rights or Euroclear Subscription Rights will be credited to, a stock account in CREST or to a Euroclear Nederland securities account with a bank or financial institution of any Shareholder with a registered address in the United States. Subject to certain exceptions, Provisional Allotment Letters or renunciations thereof sent from or post-marked in the United States will be deemed to be invalid and all persons acquiring New Shares and wishing to hold such Shares in registered form must provide an address for registration of the New Shares issued upon exercise thereof outside the United States.

Subject to certain exceptions, any person who acquires New Shares, Nil Paid Rights, Euroclear Subscription Rights or Fully Paid Rights will be deemed to have declared, warranted and agreed, by accepting delivery of this document or the Provisional Allotment Letter and delivery of the New Shares, the Nil Paid Rights, Euroclear Subscription Rights or the Fully Paid Rights, that they are not, and that at the time of acquiring the New Shares, the Nil Paid Rights, Euroclear Subscription Rights or the Fully Paid Rights they will not be, in the United States.

The Company reserves the right to treat as invalid any Provisional Allotment Letter (or renunciation thereof) that appears to the Company or its agents to have been executed in or despatched from the United States, or that provides an address in the United States

from the acceptance or renunciation of the Rights Issue, or which does not make the warranty set out in the Provisional Allotment Letter to the effect that the person accepting and/or renouncing the Provisional Allotment does not have a registered address and is not otherwise located in the United States and is not acquiring the Nil Paid Rights, the Fully Paid Rights or the New Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Shares in the United States or where the Company believes acceptance of such Provisional Allotment Letter may infringe applicable legal or regulatory requirements. The Company will not be bound to allot (on a non-provisional basis) or issue any New Shares, Nil Paid Rights, or Fully Paid Rights to any person with an address in, or who is otherwise located in, the United States in whose favour a Provisional Allotment Letter or any Nil Paid Rights, Fully Paid Rights or New Shares may be transferred or renounced. In addition, the Company and the Underwriters reserve the right to reject any MTM instruction sent by or on behalf of any CREST member with a registered address in the United States in respect of the Nil Paid Rights.

In addition, until 40 days after the commencement of the Rights Issue, an offer, sale or transfer of the New Shares, the Nil Paid Rights, the Fully Paid Rights or the Provisional Allotment Letters within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the US Securities Act.

The provisions of paragraph 2.4 above will apply to any rights not taken up.

2.6.3 Australia and South Africa

Due to restrictions under the securities laws of Australia and South Africa, and subject to certain exemptions, no Provisional Allotment Letters in relation to the New Shares will be sent to, and no Nil Paid Rights or Fully Paid Rights will be credited to a stock account in CREST and no Euroclear Subscription Rights will be credited to a Euroclear Nederland securities account with a bank or financial institution of Shareholders with registered addresses in Australia or South Africa and their entitlements will be sold if possible in accordance with the provisions of paragraph 2.6.1 above. The Provisional Allotment Letters, the Nil Paid Rights, the Euroclear Subscription Rights, the Fully Paid Rights and the New Shares may not be transferred or sold to or renounced or delivered in, Australia or South Africa. No offer of New Shares is being made by virtue of this document or the Provisional Allotment Letters into Australia or South Africa.

2.6.4 Overseas territories other than the United States, Australia and South Africa

Provisional Allotment Letters will be posted to Qualifying Non-CREST Shareholders and Nil Paid Rights will be credited to the CREST stock accounts of Qualifying CREST Shareholders and Euroclear Subscription Rights will be credited to the accounts of Qualifying Euroclear Shareholders. Such Qualifying Shareholders may, subject to the laws of the relevant jurisdictions, accept their rights under the Rights Issue in accordance with the instructions set out in this document and, if relevant, the Provisional Allotment Letter. In cases where Overseas Shareholders do not take up Nil Paid Rights, their entitlements will be sold if possible in accordance with the provisions of paragraph 2.6.1 above.

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Nil Paid Rights, the Euroclear Subscription Rights, the Fully Paid Rights or the New Shares may not be circulated or distributed, nor may the Nil Paid Rights, the Euroclear Subscription Rights, the Fully Paid Rights or the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) holders of Existing Shares or (ii) pursuant to, and in accordance with, the conditions of an exemption under any provision of Subdivision (4) of Division 1 of Part XIII of the Securities and Futures Act, Chapter 289 of Singapore.

Qualifying Shareholders who have registered addresses in or who are resident in, or who are citizens of, countries other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.

2.6.5 Representations and warranties relating to Overseas Shareholders

(i) Qualifying Non-CREST Shareholders

Any person accepting and/or renouncing a Provisional Allotment Letter or requesting registration of the New Shares comprised therein represents and warrants to the Company and the Underwriters that, except where proof has been provided to the Company's satisfaction that such person's use of the Provisional Allotment Letter will not result in the contravention of any applicable legal requirement in any jurisdiction, (a) such person is not accepting and/or renouncing the Provisional Allotment Letter, or requesting registration of the relevant New Shares, from within the United States or any of the Excluded Territories; (b) such person is not in any territory in which it is unlawful to make or accept an offer to subscribe for New Shares or to use the Provisional Allotment Letter in any manner in which such person has used or will use it; (c) such person is not acting on a non-discretionary basis for a person located within the United States or any Excluded Territory or any territory referred to in (b) above at the time the instruction to accept or renounce was given; and (d) such person is not acquiring New Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Shares into the United States or any Excluded Territory or any territory referred to in (b) above. The Company may treat as invalid any acceptance or purported acceptance of the allotment of New Shares comprised in, or renunciation or purported renunciation of, a Provisional Allotment Letter if it (a) appears to the Company to have been executed in or despatched from the United States or any Excluded Territory or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it believes the same may violate any applicable legal or regulatory requirement; (b) provides an address in the United States or any Excluded Territory for delivery of definitive share certificates for New Shares (or any jurisdiction outside the United Kingdom in which it would be unlawful to deliver such certificates); or (c) purports to exclude the warranty required by this paragraph 2.6.5.

(ii) Qualifying CREST Shareholders

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this Part III represents and warrants to the Company and the Underwriters that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction, (a) he is not within the United States or any of the Excluded Territories; (b) he is not in any territory in which it is unlawful to make or accept an offer to subscribe for New Shares; (c) he is not accepting on a non-discretionary basis for a person located within the United States or any Excluded Territory or any territory referred to in (b) above at the time the instruction to accept was given; and (d) he is not acquiring New Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Shares into the United States or any Excluded Territory.

2.6.6 Admitted Institutions

An Admitted Institution who communicates to Euroclear Nederland a valid acceptance on behalf of one of its clients in accordance with the procedures set out in this Part III represents and warrants to Euroclear Nederland, the Company, the Dutch Subscription Agent and each of the Underwriters that, except where proof has been provided to Euroclear Nederland's and the Company's satisfaction that such client's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction, (a) such client is not within the United States or any of the Excluded Territories; (b) such client is not in any territory in which it is unlawful to make or accept an offer to subscribe for New Shares; (c) such client is not accepting on a non-discretionary basis for a person located within the United States or any Excluded Territory or any territory referred to in (b) above at the time the instruction to accept was given; and (d) such client is not acquiring New Shares with a view to the offer, sale, resale, transfer, delivery or distribution,

directly or indirectly, of any such New Shares into the United States or any Excluded Territory.

2.6.7 Waiver

The provisions of this paragraph 2.6 and of any other terms of the Rights Issue relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders(s) or on a general basis by the Company in its absolute discretion. Subject to this, the provisions of this paragraph 2.6 supersede any terms of the Rights Issue inconsistent herewith. References in this paragraph 2.6 to Shareholders shall include references to the person or persons executing a Provisional Allotment Letter and, in the event of more than one person executing a Provisional Allotment Letter, the provisions of this paragraph 2.6 shall apply to them jointly and to each of them.

2.7 Times and dates

The Company shall, in its discretion and after consultation with its financial and legal advisers, be entitled to amend the dates that Provisional Allotment Letters are despatched or dealings in Nil Paid Rights commence or amend or extend the latest date for acceptance under the Rights Issue and all related dates set out in this document and in such circumstances shall notify the UK Listing Authority and Euronext, and make an announcement on a Regulatory Information Service approved by the UK Listing Authority and, if appropriate, Shareholders **but Qualifying Shareholders may not receive any further written communication.**

If a supplementary prospectus is issued by the Company two or fewer business days prior to the latest time and date for acceptance and payment in full under the Rights Issue specified in this document (or such later date as may be agreed between the Company and the parties to the Underwriting Agreement), the latest date for acceptance under the Rights Issue shall be extended to the date that is three business days after the date of issue of the supplementary prospectus (and the dates and times of principal events due to take place following such date shall be extended accordingly).

2.8 Governing law

The terms and conditions of the Rights Issue as set out in this document and the Provisional Allotment Letter shall be governed by, and construed in accordance with, English law.

2.9 Jurisdiction

The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Rights Issue, this document or the Provisional Allotment Letter. By accepting rights under the Rights Issue in accordance with the instruction set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letter, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

PART IV

INFORMATION ON RBS

Overview

RBS is the holding company of one of the world's largest banking and financial services groups, with a market capitalisation of £44.4bn at the end of 2007. Headquartered in Edinburgh, the Group operates in the United Kingdom, the United States and internationally through its two principal subsidiaries, RBS plc and NatWest. Both RBS plc and NatWest are major UK clearing banks whose origins go back over 275 years. In the United States, the Group's subsidiary Citizens is ranked the ninth-largest commercial banking organisation by deposits. The Group has a large and diversified customer base and provides a wide range of products and services to personal, commercial and large corporate and institutional customers. The Group had total assets of £1,900.5bn and owners' equity of £53bn at 31 December 2007. It had a total capital ratio of 11.2 per cent. and Tier 1 capital ratio of 7.3 per cent. as at 31 December 2007 on a fully consolidated basis.

On 17 October 2007, RFS Holdings, a company jointly owned by the Consortium Banks and controlled by RBS, completed the acquisition of ABN AMRO. ABN AMRO is a major international banking group with a leading position in international payments and a strong investment banking franchise with particular strengths in emerging markets, as well as offering a range of retail and commercial financial services around the world via regional business units in Europe, the Netherlands, North America, Latin America and Asia. RFS Holdings is in the process of implementing an orderly separation of the business units of ABN AMRO with RBS principally retaining ABN AMRO's global wholesale businesses and international retail businesses in Asia and the Middle East. Certain other assets will continue to be shared by the Consortium Banks. An explanation of the Consortium Agreement governing the relationship between the Consortium Banks can be found on pages 74-77 of the listing particulars dated 20 July 2007 prepared by RBS in connection with the acquisition of ABN AMRO, which are incorporated by reference herein.

Principal Activities

On 28 February 2008, the Company announced changes to its organisational structure which are aimed at recognising RBS's presence in over 50 countries and facilitating the integration and operation of its expanded footprint. Following the acquisition of ABN AMRO in October 2007, the RBS Group's new organisational structure incorporates those ABN AMRO businesses to be retained by the RBS Group but excludes the ABN AMRO businesses to be acquired by Fortis and Santander. This new organisational structure is expected to give RBS the appropriate framework for managing the enlarged Group in a way that fully capitalises on the enhanced range of attractive growth opportunities now available to it. The RBS Group's organisational structure comprises the following divisions:

Global Markets

Global Markets is focused on the provision of debt financing, risk management and transaction banking services to large businesses and financial institutions in the United Kingdom and around the world. Its activities have been organised into two divisions, Global Banking & Markets and Global Transaction Services, in order to best serve RBS's customers whose financial needs are global.

Global Banking & Markets is a leading banking partner to major corporations and financial institutions around the world, providing an extensive range of debt financing, risk management and investment services to its customers. It includes the global banking and markets business of ABN AMRO, with the exception of its transaction banking division.

On 1 April 2008, RBS and Sempra Energy announced the formation of the commodities-marketing joint venture, RBS Sempra Commodities LLP, which has become part of RBS's Global Banking & Markets business. Under the joint venture, RBS Sempra Commodities LLP purchased Sempra Commodities. RBS's initial equity investment in the joint venture was US\$1.7bn and RBS will continue to provide any additional funding required for the ongoing operating expenses of the businesses.

Global Transaction Services combines the RBS and ABN AMRO franchises to create a new top 5 global transaction services business. The new division offers global payments, cash and liquidity management, as well as trade finance, merchant acquiring and commercial card products and services. Global

Transaction Services includes the transaction banking units of RBS and ABN AMRO, the money transmission activities of the former UK Corporate Banking, the corporate money transmission function of Citizens, the UK commercial cards business and UK and international merchant acquiring.

Regional Markets

Regional Markets is organised around the provision of retail and commercial banking to customers in four regions: the United Kingdom, the United States, Europe and the Middle East and Asia. This includes the provision of wealth management services both in the United Kingdom and internationally.

UK Retail and Commercial Banking

This comprises the former Retail division, UK Wealth Management and the former UK Corporate Banking division. However, merchant acquiring, commercial cards and corporate money transmission activities are now part of Global Transaction Services.

RBS UK supplies financial services through both the RBS and NatWest brands, offering a full range of banking products and related financial services to the personal, premium and small business (“SMEs”) markets through the largest network of branches and ATMs in the United Kingdom, as well as by telephone and internet. Together, RBS and NatWest hold the joint number one position in personal current accounts and are the UK market leader in SME banking. The division also issues credit and charge cards and other financial products, including through other brands such as MINT, First Active UK and Tesco Personal Finance.

The UK wealth management arm provides private banking and investment services to clients through Coutts, Adam & Company, RBS International and NatWest Offshore.

UK Commercial Banking is the largest provider of banking, finance and risk management services in the United Kingdom. Through its network of relationship managers across the country, it distributes the full range of RBS Group products and services to companies.

US Retail and Commercial Banking

This comprises Citizens Financial Group, with the exception of its corporate money transmission activities and RBS Lynk, which are now part of Global Transaction Services. It also excludes manufacturing operations, which are now part of Group Manufacturing. Citizens Financial Group provides financial services through the Citizens and Charter One brands as well as through Kroger Personal Finance, its credit card joint venture with the second-largest US supermarket group.

Citizens is engaged in retail and corporate banking activities through its branch network in 13 states in the United States and through non-branch offices in other states. Citizens was ranked the ninth-largest commercial banking organisation in the United States based on deposits as at 31 December 2007.

Europe & Middle East Retail and Commercial Banking

This comprises Ulster Bank and the retail and commercial businesses of ABN AMRO in Europe and the Middle East.

Ulster Bank, including First Active, provides a comprehensive range of financial services across the island of Ireland. Its retail banking arm has a network of branches and operates in the personal, commercial and wealth management sectors, while its corporate markets operations provides services in the corporate and institutional markets.

The retail and commercial businesses in Europe and the Middle East offer services in Romania, Russia, Kazakhstan and the United Arab Emirates.

Asia Retail and Commercial Banking

Asia Retail and Commercial Banking is a significant force in a number of important economies in Asia with prominent market positions in India, Pakistan, China and Taiwan in addition to its presence in Hong Kong, Indonesia, Malaysia and Singapore. The international wealth management arm offers private banking and investment services to clients in selected markets through the RBS Coutts brand.

RBS Insurance

RBS Insurance sells and underwrites retail and SME insurance over the telephone and internet, as well as through brokers and partnerships. Its brands include Direct Line, Churchill, Privilege, Green Flag and NIG. Direct Line, Churchill and Privilege sell general insurance products direct to the customer. Through its international division, RBS Insurance sells general insurance, mainly motor, in Spain, Germany and Italy. The Intermediary and Broker division sells general insurance products through independent brokers.

Group Manufacturing

Group Manufacturing comprises the RBS and ABN AMRO manufacturing operations, including the ACES operation in India, as well as Citizens' manufacturing and card operations. It supports the customer-facing businesses and provides operational technology, customer support in telephony, account management, lending and money transmission, global purchasing, property and other services. Manufacturing drives efficiencies and supports income growth across multiple brands and channels by using a single, scalable platform and common processes wherever possible. It also leverages the Group's purchasing power and has become the centre of excellence for managing large-scale and complex change.

The Centre

The Centre comprises group and corporate functions, such as capital raising, finance, risk management, legal, communications and human resources. The Centre manages the Group's capital requirements and Group-wide regulatory projects and provides services to the operating divisions.

Integration of ABN AMRO

A discussion of the Group's plans for ABN AMRO can be found on pages 42-48 of the listing particulars dated 20 July 2007 prepared by RBS in connection with the acquisition of ABN AMRO and is incorporated by reference herein, as supplemented by the information contained in Part I of this document.

PART V

OVERVIEW OF BUSINESS PERFORMANCE AND OPERATING AND FINANCIAL REVIEW OF RBS

1 Business performance and operating and financial review

The key information that comprises the discussion of RBS's current trading and prospects can be found in paragraph 7 of Part I of this document.

The key information that comprises the business description and business review of RBS for the year ended 31 December 2007 can be found on the following pages of its Annual Report and Accounts for 2007 and is incorporated by reference herein:

Pages 4-90, 94-115, 214-222 and 230-234

The key information that comprises the business review of RBS for the year ended 31 December 2006 can be found on the following pages of its Annual Report and Accounts for 2006 and is incorporated by reference herein:

Pages 43-100

The key information that comprises the business review of RBS for the year ended 31 December 2005 can be found on the following pages of its Annual Report and Accounts for 2005 and is incorporated by reference herein:

Pages 51-106

Certain pro forma financial information for RBS reflecting the revised divisional structure described in Part IV of this document can be found in Appendix IV and Appendix V to Section 1 of the Letter to Shareholders, and should be read in conjunction with "Important Information—Presentation of financial information" and is incorporated by reference herein.

See Part XIII for further details about information that has been incorporated by reference into this document.

2 Capitalisation and Indebtedness

The table below sets forth the RBS Group's total capitalisation and indebtedness as at 31 December 2007, and note 8 to the table below sets forth the RBS Group's total indebtedness as at 31 March 2008. Please read this table together with the financial statements and the notes to those financial statements incorporated by reference in this document.

	As at 31 December 2007
	<i>(£ millions)</i>
Share capital – authorised	
Ordinary Shares of 25p each	3,018
Non-voting deferred shares of £0.01 each	323
Additional value shares of £0.01 each	27
Preference shares	528
	<hr/> 3,896 <hr/>
Share capital – allotted, called up and fully paid	
Ordinary Shares of 25p each	2,501
Non-voting deferred shares of £0.01 each	27
Preference shares	2
	<hr/> 2,530 <hr/>
Reserves	50,508
Total owners' equity	<hr/> 53,038 <hr/>

	As at 31 December 2007
	<i>(£ millions)</i>
Group indebtedness	
Dated loan capital	23,065
Undated loan capital	9,866
Preference shares	1,686
Trust preferred securities	3,362
Total subordinated liabilities	37,979
Debt securities in issue	273,615
Total indebtedness	311,594
Total capitalisation and indebtedness	364,632

Notes:

- (1) The authorised preference share capital of the Group as at 31 December 2007 was £528m, consisting of 419.5m non-cumulative preference shares of US\$0.01 each, 3.9m non-cumulative convertible preference shares of US\$0.01 each, 66m non-cumulative preference shares of €0.01 each, 3m non-cumulative convertible preference shares of €0.01 each, 900m non-cumulative convertible preference shares of £0.25 each, 1m non-cumulative convertible preference shares of £0.01 each, 0.9m cumulative preference shares of £1 each and 300m non-cumulative preference shares of £1 each.
- (2) The allotted, called up and fully paid equity preference share capital of the Group as at 31 December 2007 consisted of 254m non-cumulative preference shares of US\$0.01 each, 2.5m non-cumulative preference shares of €0.01 each and 0.75m non-cumulative preference shares of £1 each.
- (3) The allotted, called up and fully paid non-equity preference share capital of the Group as at 31 December 2007 consisted of 54m non-cumulative preference shares of US\$0.01 each, 1m non-cumulative convertible preference shares of US\$0.01 each, 0.2m non-cumulative convertible preference shares of £0.01 each and 0.9m cumulative preference shares of £1 each.
- (4) At the Annual General Meeting on 23 April 2008, the authorised ordinary share capital of the Company was increased by £625m by the creation of an additional 2,500m ordinary shares of 25p each and the authorised preference share capital of the Company was increased by US\$965,000 by the creation of 96.5m additional Category II Non-cumulative Dollar Preference Shares of US\$0.01 each.
- (5) As at 31 December 2007, the Group had total liabilities and equity of £1,900.5bn, including deposits by banks of £312.6bn and customer accounts of £682.4bn.
- (6) All of the indebtedness, except for £65.1bn of debt securities in issue, is unsecured. None of the indebtedness described above or below is guaranteed.
- (7) As at 31 December 2007, the Group had contingent liabilities and guarantees arising in the normal course of business totalling £61,920m, consisting of guarantees and assets pledged as collateral security of £46,441m and other contingent liabilities of £15,479m.
- (8) On 1 January 2008, ABN AMRO redeemed the €113m 7.50 per cent. subordinated notes 2008.
- (9) At 31 March 2008, the Group's total indebtedness was £324,171m (debt securities in issue: £284,430m; subordinated liabilities: £39,741m).
- (10) On 9 April 2008, RBS plc issued €2,000m 6.934 per cent. dated subordinated notes.
- (11) On 23 April 2008, RBS plc issued €144.4m inflation linked floating rate lower Tier 2 notes due 2023.
- (12) Save as disclosed above, there has been no material change in the total capitalisation and indebtedness of the Group since 31 December 2007.

3 Subordinated liabilities

The tables below set out the subordinated liabilities of RBS as at 31 December 2007.

Dated loan capital

	As at 31 December 2007
	(£ millions)
The Company	
US\$400m 6.4% subordinated notes 2009 ⁽¹⁾	202
US\$300m 6.375% subordinated notes 2011 ⁽¹⁾	163
US\$750m 5% subordinated notes 2013 ⁽¹⁾	382
US\$750m 5% subordinated notes 2014 ⁽¹⁾	386
US\$250m 5% subordinated notes 2014 ⁽¹⁾	123
US\$675m 5.05% subordinated notes 2015 ⁽¹⁾	357
US\$350m 4.7% subordinated notes 2018 ⁽¹⁾	173
	1,786
RBS plc	
€255m 5.25% subordinated notes 2008	192
€300m 4.875% subordinated notes 2009	228
€1,000m floating rate subordinated notes 2013 (callable October 2008)	744
US\$50m floating rate subordinated notes 2013	26
€1,000m 6% subordinated notes 2013	790
€500m 6% subordinated notes 2013	374
£150m 10.5% subordinated bonds 2013 ⁽²⁾	169
US\$1,250m floating rate subordinated notes 2014 (callable July 2009)	630
AUD590m 6% subordinated notes 2014 (callable October 2009)	254
AUD410m floating rate subordinated notes 2014 (callable October 2009)	182
CAD700m 4.25% subordinated notes 2015 (callable March 2010)	358
£250m 9.625% subordinated bonds 2015	286
US\$750m floating rate subordinated notes 2015 (callable September 2010)	374
€750m floating rate subordinated notes 2015	564
CHF400m 2.375% subordinated notes 2015	166
CHF100m 2.375% subordinated notes 2015	41
CHF200m 2.375% subordinated notes 2015	86
US\$500m floating rate subordinated notes 2016 (callable October 2011)	252
US\$1,500m floating rate subordinated notes 2016 (callable April 2011)	757
€500m 4.5% subordinated 2016 (callable January 2011)	379
CHF200m 2.75% subordinated notes 2017 (callable December 2012)	89
€100m floating rate subordinated notes 2017	73
€500m floating rate subordinated notes 2017 (callable June 2012)	371
€750m 4.35% subordinated notes 2017 (callable October 2017)	548
AUD450m 6.5% subordinated notes 2017 (callable February 2012)	202
AUD450m floating rate subordinated notes 2017 (callable February 2012)	199
US\$1,500m floating rate subordinated callable step-up notes due August 2017 (callable August 2012)	752
US\$125.6m floating rate subordinated notes 2020	64
€1,000m 4.625% subordinated notes 2021 (callable September 2016)	724
€300m CMS linked floating rate subordinated notes due June 2022	228
National Westminster Bank Plc	
US\$1,000m 7.375% subordinated notes 2009	507
€600m 6% subordinated notes 2010	474
€500m 5.125% subordinated notes 2011	376
£300m 7.875% subordinated notes 2015	349
£300m 6.5% subordinated notes 2021	330
Charter One Financial, Inc	
US\$400m 6.375% subordinated notes 2012	212

**As at
31 December
2007**

(£ millions)

Greenwich Capital Holdings, Inc

US\$500m subordinated loan capital 2010 floating rate notes (callable on any interest payment date)	249
US\$170m subordinated loan capital floating rate notes 2008	85
US\$100m 5.575% senior subordinated revolving credit 2009	50

First Active Plc

£60m 6.375% subordinated bonds 2018 (callable April 2013)	65
Other minority interest subordinated issues	16

ABN AMRO and subsidiaries

€113m 7.50% subordinated notes 2008	83
€182m 6.00% subordinated notes 2009	132
€182m 6.13% subordinated notes 2009	127
€1,150m 4.63% subordinated notes 2009	848
€250m 4.70% CMS linked subordinated notes 2019	131
€800m 6.25% subordinated notes 2010	598
€100m 5.13% flip flop Bermudan callable subordinated notes 2017 (callable December 2012)	75
€500m floating rate Bermudan callable subordinated lower Tier 2 notes 2018 (callable May 2013)	350
€1,000m floating rate Bermudan callable subordinated lower Tier 2 notes 2016 (callable September 2011)	710
€13m zero coupon subordinated notes 2029 (callable June 2009)	2
€82m floating rate subordinated notes 2017	55
€103m floating rate subordinated lower Tier 2 notes 2020	68
€170m floating rate sinkable subordinated notes 2041	184
€15m CMS linked floating rate subordinated lower Tier 2 notes 2020	11
€1,500m floating rate Bermudan callable subordinated lower Tier 2 notes 2015 (callable June 2010)	1,087
€5m floating rate Bermudan callable subordinated lower Tier 2 notes 2015 (callable October 2010)	4
€65m floating rate Bermudan callable subordinated lower Tier 2 notes 2015 (callable October 2010)	48
US\$12m floating rate subordinated notes 2008	6
US\$12m floating rate subordinated notes 2008	6
US\$165m 6.14% subordinated notes 2019	94
US\$72m 5.98% subordinated notes 2019	7
US\$500m 4.65% subordinated notes 2018	214
US\$500m floating rate Bermudan callable subordinated notes 2013 (callable September 2008)	232
US\$1,500m floating rate Bermudan callable subordinated notes 2015 (callable March 2010)	717
US\$100m floating rate Bermudan callable subordinated lower Tier 2 notes 2015 (callable October 2010)	50
US\$36m floating rate Bermudan callable subordinated lower Tier 2 notes 2015 (callable October 2010)	18
US\$1,000m floating rate Bermudan callable subordinated lower Tier 2 notes 2017 (callable January 2012)	479
AUD575m 6.50% Bermudan callable subordinated lower Tier 2 notes 2018 (callable May 2013)	231
AUD175m 7.46% Bermudan callable subordinated lower Tier 2 notes 2018 (callable May 2013)	73
€26m 7.42% subordinated notes 2016	20
€7m 7.38% subordinated notes 2016	6
€256m 5.25% subordinated notes 2008	190

	As at 31 December 2007
	<i>(£ millions)</i>
€13m floating rate subordinated notes 2008	9
£42m 8.18% subordinated notes 2010	19
£25m 9.18% amortising MTN subordinated lower Tier 2 notes 2011	15
£750m 5% Bermudan callable subordinated upper Tier 2 notes 2016	642
US\$250m 7.75% subordinated notes 2023	127
US\$150m 7.13% subordinated notes 2093	76
US\$250m 7.00% subordinated notes 2008	127
US\$68m floating rate subordinated notes 2009	34
US\$12m floating rate subordinated notes 2009	6
BRL50m floating rate subordinated notes 2013	14
BRL250m floating rate subordinated notes 2013	71
BRL250m floating rate subordinated notes 2014	71
BRL885m floating rate subordinated notes 2014	251
BRL300m floating rate subordinated notes 2014	85
PKR0.80m floating rate subordinated notes 2012	6
MYR200m subordinated notes 2017	30
TRY60m subordinated notes	25
	<hr/>
	23,065
	<hr/> <hr/>

Notes:

- (1) On-lent to RBS plc on a subordinated basis.
- (2) Unconditionally guaranteed by the Company.
- (3) In the event of certain changes in tax laws, dated loan capital issues may be redeemed in whole, but not in part, at the option of the issuer, at the principal amount thereof plus accrued interest, subject to prior regulatory approval.
- (4) Except as stated above, claims in respect of the Group's dated loan capital are subordinated to the claims of other creditors. None of the Group's dated loan capital is secured.
- (5) Interest on all floating rate subordinated notes is calculated by reference to market rates.

Undated loan capital

	As at 31 December 2007
	<i>(£ millions)</i>
The Company	
US\$350m undated floating rate primary capital notes (callable on any interest payment date) ⁽¹⁾	175
US\$1,200m 7.648% perpetual regulatory Tier 1 securities (callable September 2031) ⁽¹⁾⁽²⁾	606
	<hr/>
	781
RBS plc	
£150m 5.625% undated subordinated notes (callable June 2032)	144
£175m 7.375% undated subordinated notes (callable August 2010)	183
€152m 5.875% undated subordinated notes (callable October 2008)	114
£350m 6.25% undated subordinated notes (callable December 2012)	354
£500m 6% undated subordinated notes (callable September 2014)	517
€500m 5.125% undated subordinated notes (callable July 2014)	371
€1,000m floating rate undated subordinated notes (callable July 2014)	742
£500m 5.125% undated subordinated notes (callable March 2016)	499
£200m 5.625% subordinated upper Tier 2 notes (callable September 2026)	210
£600m 5.5% undated subordinated notes (callable December 2019)	595
£500m 6.2% undated subordinated notes (callable March 2022)	543
£200m 9.5% undated subordinated bonds (callable August 2018) ⁽³⁾	228

	As at 31 December 2007
	<i>(£ millions)</i>
£400m 5.625% subordinated upper Tier 2 notes (callable September 2026)	397
£300m 5.625% undated subordinated notes (callable September 2026)	318
£350m 5.625% undated subordinated notes (callable June 2032)	363
£400m 5% undated subordinated notes (callable March 2011)	402
JPY25bn 2.605% undated subordinated notes (callable November 2034)	103
CAD700m 5.37% fixed rate undated subordinated notes (callable May 2016)	363
National Westminster Bank Plc	
US\$500m primary capital floating rate notes, Series A (callable on any interest payment date)	251
US\$500m primary capital floating rate notes Series B (callable on any interest payment date)	256
US\$500m primary capital floating rate notes, Series C (callable on any interest payment date)	255
€400m 6.625% fixed/floating rate undated subordinated notes (callable October 2009)	303
€100m floating rate undated step-up notes (callable October 2009)	74
£325m 7.625% undated subordinated step-up notes (callable January 2010)	357
£200m 7.125% undated subordinated step-up notes (callable October 2022)	205
£200m 11.5% undated subordinated notes (callable December 2022) ⁽⁴⁾	269
First Active plc	
£20m 11.75% perpetual Tier 2 capital	23
€38m 11.375% perpetual Tier 2 capital	39
£1.3m floating rate perpetual Tier 2 capital	2
ABN AMRO and subsidiaries	
€9m 4.65% perpetual convertible financing preference shares (callable January 2011)	7
€1,000m 4.310% perpetual Bermudan callable subordinated Tier 1 notes (callable March 2016)	598
	<u>9,866</u>

Notes:

- (1) On-lent to RBS plc on a subordinated basis.
- (2) The Company can satisfy interest payment obligations by issuing Ordinary Shares to appointed trustees sufficient to enable them, on selling these Shares, to settle the interest payment.
- (3) Guaranteed by the Company.
- (4) Exchangeable at the option of the issuer into 200 million 8.392 per cent. (gross) non-cumulative preference shares of £1 each of National Westminster Bank plc at any time.
- (5) Except as stated above, claims in respect of the Group's undated loan capital are subordinated to the claims of other creditors. None of the Group's undated loan capital is secured.
- (6) In the event of certain changes in tax laws, undated loan capital issues may be redeemed in whole, but not in part, at the option of the Group, at the principal amount thereof plus accrued interest, subject to prior regulatory approval.
- (7) Interest on all floating rate subordinated notes is calculated by reference to market rates.

Preference shares

	As at 31 December 2007
	<i>(£ millions)</i>
The Company	
Non-cumulative preference shares of US\$0.01	
Series F US\$200 million 7.65% (redeemable at option of issuer)	100
Series H US\$300 million 7.25% (redeemable at option of issuer)	150
Series L US\$850m 5.75% (redeemable September 2009)	421
Non-cumulative convertible preference shares of US\$0.01	
Series 1 US\$1,000m 9.118% (redeemable March 2010)	510
Non-cumulative convertible preference shares of £0.01	
Series 1 £200m 7.387% (redeemable December 2010)	201
Cumulative preference shares of £1	
£0.5m 11% and £0.4 million 5.5% (non-redeemable)	1
	<u>1,383</u>
National Westminster Bank Plc	
Non-cumulative preference shares of £1	
Series A £140m 9% (non-redeemable)	143
Non-cumulative preference shares of US\$25	
Series C US\$300m 7.7628% ⁽¹⁾	160
	<u>1,686</u>

Note:

- (1) Series C preference shares each carry a gross dividend of 8.625 per cent. inclusive of associated tax credit. Redeemable at the option of the issuer at par.

Trust preferred securities

	As at 31 December 2007
	<i>(£ millions)</i>
€1,250m 6.467% (redeemable June 2012) ⁽¹⁾	979
US\$750m 6.8% (redeemable March 2008) ⁽¹⁾	374
US\$850m 4.709% (redeemable July 2013) ⁽¹⁾	421
US\$650m 6.425% (redeemable January 2034) ⁽¹⁾	344
ABN AMRO and subsidiaries	
US\$1,285m 6.03% Trust Preferred V (redeemable July 2008)	438
US\$200m 6.25% Trust Preferred VI (redeemable September 2008)	79
US\$1,800m 6.08% Trust Preferred VII (redeemable February 2009)	727
	<u>3,362</u>

Note:

- (1) The trust preferred securities issued by subsidiaries have no maturity date and are not redeemable at the option of the holders at any time. These securities may with the consent of the FSA be redeemed, by the issuer on the dates specified above or on any interest payment date thereafter. They may also be redeemed in whole, but not in part, upon the occurrence of certain tax and regulatory events. The Company classifies its obligations to these subsidiaries as dated loan capital.

4 Capital resources and liquidity management

It is RBS policy to maintain a strong capital base, to expand it as appropriate and to utilise it efficiently throughout its activities to optimise the return to Shareholders while maintaining a prudent relationship between the capital base and the underlying risks of the business. In carrying out this policy, RBS has regard to the supervisory requirements of the FSA. The FSA uses RAR as a measure of capital adequacy

in the UK banking sector, comparing a bank's capital resources with its risk-weighted assets (the assets and off-balance sheet exposures are "weighted" to reflect the inherent credit and other risks). By international agreement, the RAR should be not less than 8 per cent. with a Tier 1 component of not less than 4 per cent. As at 31 December 2007, the Group's total RAR was 11.2 per cent. and the Tier 1 RAR was 7.3 per cent., and both ratios were prepared using the Basel I methodology.

Total capital resources principally comprise shareholders' equity, minority interests and subordinated liabilities less goodwill and intangible assets and other supervisory deductions such as the Group's investment in insurance companies. On 14 January 2008, ABN AMRO redeemed the €113m 7.50 per cent. subordinated notes 2008. On 9 April 2008, RBS plc issued €2,000m 6.934 per cent. subordinated notes due 2018 and on 23 April 2008 issued €144.4m inflation linked floating rate lower Tier 2 notes due 2023. In addition, changes in shareholders' equity over the same period reflect retained profits less dividends paid, changes in the fair values of available-for-sale investments and cash flow hedges, and exchange differences on translation of foreign operations.

Upon completion of the Rights Issue, RBS will issue, in accordance with the terms of the Rights Issue, 6,123,010,462 New Shares. The fair value of these New Shares is £21,706m based on the closing price of the Ordinary Shares of 354.5 pence as listed in the London Stock Exchange Daily Official List on 28 April 2008, the last practicable date prior to the date of this document.

Liquidity management within RBS focuses on both overall balance sheet structure and the control, within prudent limits, of risk arising from the mismatch of maturities across the balance sheet and from undrawn commitments and other contingent obligations. The structure of the balance sheet is managed to maintain substantial diversification, to minimise concentration across its various deposit sources and to contain the level of reliance on total short-term wholesale sources of funds (gross and net of repurchase agreements) within prudent levels. As part of RBS's planning process, the forecast structure of the balance sheet is regularly reviewed over the plan horizon.

The level of large deposits taken from banks, corporate customers, non-bank financial institutions and other customers and significant cash outflows therefrom are also reviewed to monitor concentration and identify any adverse trends.

Since 31 December 2007, RBS has met all of its liquidity policy metrics in a difficult market environment with a reduction in term funding availability across the board. In the six months prior to the date of this document, RBS has instituted a wide series of asset and liability measures to enhance liquidity risk measures to meet the challenges of the global credit crisis.

RBS remains well placed to access various wholesale funding sources from a wide range of counterparties and markets.

Further disclosures about the Group's management of capital resources and liquidity are set out in paragraph 5 of Part I of this document and in the Annual Report and Accounts for 2007 on pages 69 and 80 to 83, respectively, which are incorporated herein by reference.

PART VI

FINANCIAL INFORMATION ON RBS

The consolidated financial statements of RBS and its subsidiaries included in the Annual Report and Accounts of RBS for each of the years ended 31 December 2007, 2006 and 2005 together with the audit reports thereon are incorporated by reference into this document. Deloitte & Touche LLP of Saltire Court, 20 Castle Terrace, Edinburgh EH1 2DB, United Kingdom, Chartered Accountants regulated by the ICAEW, has issued unqualified audit opinions on the consolidated financial statements of RBS and its subsidiaries included in the Annual Report and Accounts of RBS for each of the three years ended 31 December 2007, 2006 and 2005. The audit opinion for the year ended 31 December 2007 is set out on pages 118 to 119 of the Annual Report and Accounts 2007. The audit opinion for the year ended 31 December 2006 is set out on pages 128 to 129 of the Annual Report and Accounts 2006. The audit opinion for the year ended 31 December 2005 is set out on pages 134 to 135 of the Annual Report and Accounts 2005.

PART VII

OPERATING AND FINANCIAL REVIEW OF ABN AMRO

The key information that comprises the operating and financial review of ABN AMRO for the three years ended 31 December 2007, 2006 and 2005 can be found on the following pages of its Annual Report on Form 20-F for 2007 and is incorporated by reference herein:

Pages 12 - 76

See Part XIII for further details about information that has been incorporated by reference into this document.

PART VIII

FINANCIAL INFORMATION ON ABN AMRO

The consolidated financial statements of ABN AMRO and its subsidiaries included in the Annual Report on Form 20-F of ABN AMRO for the year ended 31 December 2007 together with the auditor's report thereon are incorporated by reference into this document. Ernst & Young Accountants has issued an unqualified auditor's report on the consolidated financial statements of ABN AMRO and its subsidiaries for the three years ended 31 December 2007, 2006 and 2005.

PART IX

UNAUDITED PRO FORMA FINANCIAL INFORMATION

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Unaudited pro forma condensed combined financial information

Acquisition of ABN AMRO

On 17 October 2007, RFS Holdings, a company jointly owned by the Consortium Banks and controlled by RBS, completed the acquisition of ABN AMRO. RFS Holdings is in the process of implementing an orderly separation of the business units of ABN AMRO, with RBS retaining the following ABN AMRO business units, as set out in the CSA:

- continuing businesses of Business Unit (“BU”) North America;
- BU Global Clients (excluding Brazil);
- Wholesale clients in the Netherlands (including former Dutch wholesale clients) and Latin America (excluding Brazil);
- BU Asia (excluding Saudi Hollandi); and
- BU Europe (excluding Antonveneta).

As established in the CSA, the following businesses have been or will be transferred to the other Consortium Banks:

- BU Netherlands (excluding wholesale clients);
- BU Private Clients;
- BU Asset Management (transferred to Fortis on 3 April 2008);
- BU Latin America (excluding wholesale and global clients businesses other than in Brazil); and
- Antonveneta.

Certain other assets, BU Private Equity and Group Functions, will continue to be shared by the Consortium Banks, until disposal.

RFS Holdings is fully consolidated in RBS’s financial statements.

Basis of preparation

The unaudited pro forma condensed combined financial information is being provided to give a better understanding of what the results of operations and financial position of RBS Group might have looked like had the offers by RFS Holdings for all of ABN AMRO’s ordinary shares, ADSs and preference shares as well as the transfers of businesses to the other Consortium Banks occurred in respect of the unaudited pro forma condensed combined income statement (the “pro forma income statement”) on 1 January 2007. In respect of the unaudited pro forma condensed combined balance sheet (the “pro forma balance sheet”) it has been assumed that the Rights Issue, the acquisition of minority interests (see below) and the transfers of businesses to the other Consortium Banks occurred on 31 December 2007.

The unaudited pro forma condensed combined financial information (the “pro forma financial information”) has been prepared solely for illustrative purposes and is not necessarily indicative of the combined results of operations or financial position of RBS Group that might have been achieved had the acquisition and transfers occurred on the dates indicated, nor is it necessarily indicative of the results of operations or financial position that may, or may be expected to, be achieved in the future. No account has been taken within the pro forma financial information of any synergy or efficiency benefits that may or may not be expected to occur as a result of the acquisition.

The pro forma financial information has been prepared using the purchase method of accounting, after giving effect to the pro forma adjustments described in the unaudited pro forma financial information and also reflects the transfer of businesses (but not shared assets) to the other Consortium Banks, as established in the CSA. The pro forma financial information also incorporates the proposed acquisition

of minority interests – 0.965 per cent. ordinary shares and ADSs, 13.9 per cent. formerly convertible preference shares and 0.25 per cent. financing preference shares of ABN AMRO not already owned by RFS Holdings at 31 December 2007 – expected to be completed before the end of 2008 under the Dutch squeeze-out procedures initiated in the Dutch Enterprise Court on 22 November 2007. The information below should be read together with the financial statements of RBS.

Unaudited pro forma condensed combined income statement for the year ended 31 December 2007

	RBS Group ⁽¹⁾		Adjustments		Pro forma
		ABN AMRO ⁽²⁾	Pro forma funding and fair value adjustments ⁽³⁾	Transfers to Fortis and Santander ⁽⁴⁾	RBS Group ⁽⁵⁾
			<i>(£ millions)</i>		
Net interest income	12,668	4,562	(156) ^(a)	(5,004)	12,070
Net fees and commissions	6,154	2,353	—	(1,062)	7,445
Income from trading activities	1,327	765	—	(151)	1,941
Insurance premium income (net)	6,109	340	—	(229)	6,220
Other operating income	4,857	1,780	—	(740)	5,897
Non-interest income	18,447	5,238	—	(2,182)	21,503
Total income	31,115	9,800	(156)	(7,186)	33,573
Operating expenses	(14,435)	(7,537)	(491) ^(b)	4,354	(18,109)
Profit before other operating charges and impairment losses	16,680	2,263	(647)	(2,832)	15,464
Insurance claims (net)	(4,652)	(461)	—	274	(4,839)
Impairment losses	(2,128)	(892)	—	932	(2,088)
Operating profit before tax	9,900	910	(647)	(1,626)	8,537
Tax	(2,052)	12	190 ^(c)	452	(1,398)
Profit from continuing operations	7,848	922	(457)	(1,174)	7,139
Attributable to:					
Minority interests	163	1,029	(146)	(1,174)	(128)
Other owners	246	—	295 ^(d)	—	541
Ordinary shareholders	7,439	(107)	(606)	—	6,726
	7,848	922	(457)	(1,174)	7,139
Per 25p ordinary share (pence):					
Basic (continuing operations)	77.8				67.4
Diluted (continuing operations)	77.1				66.9
Number of shares (million)					
Weighted average ordinary shares	9,557				9,985 ⁽⁶⁾
Weighted average diluted ordinary shares	9,723				10,151 ⁽⁶⁾

Notes:

- (1) The financial information for RBS Group has been extracted from RBS's audited Annual Report and Accounts 2007. Details on the acquisition of ABN AMRO are included in Note 35 of those accounts.
- (2) The financial information for ABN AMRO consists of the income statement for the period in 2007 prior to the acquisition by the Consortium Banks, 1 January 2007 to 16 October 2007. This information has been extracted from unaudited consolidation schedules underlying ABN AMRO's 2007 audited accounts without material adjustments. Changes have been made to such information to conform to the RBS Group's basis of presentation.
- (3) Pro forma funding and fair value adjustments comprise the following for the period from 1 January 2007 to 16 October 2007, unless otherwise stated, assuming the acquisition of ABN AMRO had occurred on 1 January 2007:
 - (a) interest payable of £484m on €16,323m of debt securities in various currencies at 5.48 per cent., the weighted average interest rate for the debt securities issued by RBS as part of the acquisition of ABN AMRO; and interest payable of £9m on £165m of debt securities in issue, for the period from 1 January to 31 December 2007, relating to the acquisition of minority interests (see "Basis of preparation" above); partially offset by amortisation of provisional fair value adjustments, £337m, on financial instruments;
 - (b) operating expenses of £491m reflecting amortisation expense relating to intangible assets other than goodwill recognised separately as part of the acquisition of ABN AMRO, £549m partly offset by reduction in staff costs on recognition of the present value of net post-retirement benefit liabilities, £56m, and other net expenses, £2m;
 - (c) tax effect of the provisional fair value adjustments at rates appropriate to the nature and jurisdiction of the adjustment; and
 - (d) equity preference share and paid-in equity dividends of £295m relating to €6,120m of issues in various currencies, principally US\$, at 7.5 per cent., the weighted average coupon rate of instruments issued by RBS as part of the acquisition of ABN AMRO.

In the pro forma fair value adjustments referred to above, it has been assumed that the amounts of such adjustments at 1 January 2007 were the same as the actual provisional fair value adjustments at the date of acquisition recognised by RBS in its audited accounts for 2007.

- (4) Businesses transferred or to be transferred to Fortis and Santander as set out in the CSA. This information has been extracted from ABN AMRO's unaudited management information for the year ended 31 December 2007 without material adjustment.
- (5) RBS Group financial information including the ABN AMRO businesses to be retained by RBS as set out in the CSA.
- (6) The pro forma weighted average number of shares comprises the actual weighted average number of shares for 2007 and the number of Ordinary Shares issued in relation to the acquisition of ABN AMRO, assuming that they were issued on 1 January 2007.

Unaudited pro forma condensed combined balance sheet as at 31 December 2007

	RBS Group ⁽¹⁾	Adjustments			Pro forma RBS Group ⁽⁵⁾
		Rights Issue ⁽²⁾	Acquisition of minority interests ⁽³⁾	Transfers to Fortis and Santander ⁽⁴⁾	
			<i>(£ millions)</i>		
Assets					
Cash and balances at central banks	17,866	12,000	—	(3,625)	26,241
Loans and advances to banks	219,460	—	—	(5,966)	213,494
Loans and advances to customers	829,250	—	—	(124,721)	704,529
Securities	347,682	—	—	(11,369)	336,313
Derivatives	337,410	—	—	(741)	336,669
Intangible assets	48,492	—	242 ^(a)	(21,446)	27,288
Property, plant and equipment	18,750	—	—	(1,819)	16,931
Other assets	35,655	—	—	(5,193)	30,462
Assets of disposal groups	45,954	—	—	(43,057)	2,897
Total assets	1,900,519	12,000	242	(217,937)	1,694,824
Liabilities					
Deposits by banks	312,633	—	—	(14,733)	297,900
Customer accounts	682,365	—	—	(120,319)	562,046
Debt securities in issue	273,615	—	163 ^(b)	(12,912)	260,866
Settlement balances and short positions	91,021	—	—	(9)	91,012
Derivatives	332,060	—	—	(369)	331,691
Subordinated liabilities	37,979	—	(2) ^(c)	(525)	37,452
Other liabilities	50,192	—	—	(8,148)	42,044
Liabilities of disposal groups	29,228	—	—	(27,961)	1,267
Total liabilities	1,809,093	—	161	(184,976)	1,624,278
Net assets	91,426	12,000	81	(32,961)	70,546
Minority interests	38,388	—	54 ^(d)	(32,961)	5,481
Equity owners	53,038	12,000	27 ^(e)	—	65,065
Total equity	91,426	12,000	81	(32,961)	70,546

Notes:

- (1) The financial information for RBS Group has been extracted from RBS's audited Annual Report and Accounts 2007. Details on the acquisition of ABN AMRO are included in Note 35 of those accounts.
- (2) The net proceeds of the Rights Issue are calculated on the basis that RBS issues 6,123 million New Shares of 25p each at 200 pence per New Share, net of estimated expenses in connection with the Rights Issue of £246m (inclusive of VAT).
- (3) Acquisition of minority interests reflects the purchase of ABN AMRO's outstanding minority interests under the squeeze-out procedures described in the "Basis of preparation" above and comprise:
 - (a) goodwill of £242m arising from the acquisition of 0.965 per cent. of ABN AMRO's ordinary shares for a consideration of £492m, based on the offer price at the date of acquisition of €35.60 in cash and 0.296 RBS Ordinary Shares for each ABN AMRO ordinary share, recorded as minority interests at 31 December 2007 (see 2(d) below). The effect of adjusting for the share price of 354.5p on 28 April 2008, the latest practicable date for the purposes of this document, would reduce the consideration by £8m;
 - (b) RBS's share of the cash element of the acquisition of minority interests, assumed to be funded by the issue of debt securities, representing ordinary shares of £162m and preference shares of £1m;
 - (c) acquisition of preference shares for a cash consideration of £2m;
 - (d) elimination of the minority interest in the outstanding shares of ABN AMRO, £250m offset by an increase in the minority interests of Fortis and Santander in RFS Holdings of £304m; and
 - (e) issue of Ordinary Shares to purchase outstanding minority interests.
- (4) Businesses transferred or to be transferred to Fortis and Santander, as set out in the CSA. This information has been extracted from ABN AMRO's unaudited management information as at 31 December 2007 without material adjustment.
- (5) RBS Group financial information including the effect of the Rights Issue and the ABN AMRO businesses to be retained by RBS, as set out in the CSA.

REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RBS GROUP



The Board of Directors
The Royal Bank of Scotland Group plc
Gogarburn
Edinburgh EH12 1HQ

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB

Merrill Lynch International
Merrill Lynch Financial Centre
2 King Edward Street
London EC1A 1HQ

30 April 2008

Dear Sirs,

PROPOSED RIGHTS ISSUE BY THE ROYAL BANK OF SCOTLAND GROUP PLC (THE “COMPANY”, TOGETHER WITH ITS SUBSIDIARIES “THE GROUP”) IN RELATION TO ORDINARY SHARES (THE “NEW ORDINARY SHARES”) OF THE COMPANY AND PROPOSED ADMISSION TO THE OFFICIAL LIST OF THE FINANCIAL SERVICES AUTHORITY (THE “FSA”) AND PROPOSED ADMISSION TO TRADING ON THE LONDON STOCK EXCHANGE OF THE NEW ORDINARY SHARES (THE “TRANSACTION”)

We report on the pro forma financial information (the “Pro Forma Financial Information”) set out in Part IX of the Prospectus dated 30 April 2008 (the “Prospectus”), which has been prepared on the basis described on pages 77 and 80, for illustrative purposes only, to provide information about how the Transaction and the acquisition of ABN AMRO Holding N.V. by RFS Holdings B.V. (a company owned by the Group, Banco Santander SA, Fortis N.V. and Fortis SA/NV) might have affected the financial information of the Group presented on the basis of the accounting policies adopted by the Group in preparing its financial statements for the year ended 31 December 2007. This report is required by Annex I item 20.2 of Commission Regulation (EC) No 809/2004 (the “Prospectus Directive Regulation”) and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the “Directors”) to prepare the Pro Forma Financial Information in accordance with Annex I item 20.2 and Annex II items 1 to 6 of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, in accordance with Annex I item 20.2 of the Prospectus Directive Regulation, as to the proper compilation of the Pro forma Financial Information and to report that opinion to you in accordance with Annex II item 7 of the Prospectus Directive Regulation and as applied by Listing Rule 13.5.31R.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information,

consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Group.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

Opinion

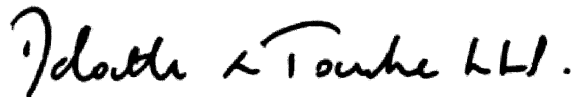
In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Group.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

A handwritten signature in black ink that reads "Deloitte & Touche LLP." The signature is written in a cursive, flowing style.

Deloitte & Touche LLP
Chartered Accountants

PART X

CAPITALISATION ISSUE

1 Reasons for the Proposed Capitalisation Issue

As explained in paragraph 4 of the Chairman's letter, the Board believes that it would be prudent to issue new Ordinary Shares instead of paying the 2008 interim dividend.

2 Conditions

The Capitalisation Issue will become effective and binding if the following conditions are fulfilled:

- (a) Resolution 2 set out in the General Meeting Notice is passed at the General Meeting; and
- (b) the UK Listing Authority has admitted all the Capitalisation Issue Shares to the Official List, the London Stock Exchange plc has admitted such Capitalisation Issue Shares to trading on its main market for listed securities and Euronext Amsterdam has admitted such Capitalisation Issue Shares to listing and trading on Euronext Amsterdam.

If Resolution 2 is passed, the Company will apply for admission of the Capitalisation Issue Shares to the Official List of the UK Listing Authority, to trading on the London Stock Exchange's main market for listed securities and to listing and trading on Euronext Amsterdam. It is expected that the Capitalisation Issue will become effective on or around the date that the 2008 interim dividend would have been paid ("the effective date") when dealings in the Capitalisation Issue Shares are expected to commence, provided the applications for admission to listing and the applications for admission to trading are successful. The Board reserves the right not to take the necessary action to give effect to the Capitalisation Issue if it considers such action would not be appropriate or in the best interests of the Company or its Shareholders.

3 Effects of the Capitalisation Issue on Shareholders

The number of new Ordinary Shares which a Shareholder will receive on the Capitalisation Issue will be calculated by dividing the amount of the 2008 interim dividend that the Company would have paid by the closing middle-market share price per Ordinary Share on the day prior to the announcement of what that interim dividend would have been and the details of the Capitalisation Issue, on a pro rata basis.

Each Shareholder will have the same percentage interest in the issued share capital of the Company as he had immediately before the issue of the Capitalisation Issue Shares, and the value of each holding of Ordinary Shares should be unaffected by the Capitalisation Issue.

4 Resolution

Paragraph (A) of Resolution 2 proposes to increase the authorised ordinary share capital of the Company by the creation of 1,000,000,000 ordinary shares of 25 pence each. This represents an increase of approximately 6.9% in the authorised ordinary share capital of the Company as at the date of this document.

Paragraph (B) of Resolution 2 authorises the Directors to capitalise distributable reserves, share premium account or capital redemption reserve (at their discretion) and to deal with fractional entitlements as they see fit. Paragraph (C) grants the Directors the necessary authority to allot the new Ordinary Shares as part of the Capitalisation Issue.

5 Share Certificates, CREST and Euronext

Shares held in certificated form on the Effective Date

Share certificates will be issued in respect of the new Ordinary Shares and posted to Shareholders on or immediately after the Capitalisation Issue becomes effective.

Shares held in uncertificated form (i.e. CREST) on the Effective Date

If the Capitalisation Issue becomes effective, then prior to the commencement of dealings in the new Ordinary Shares on the London Stock Exchange, the appropriate stock account in CREST of the relevant Shareholder will be credited with such person's entitlement to new Ordinary Shares. The new

Ordinary Shares are expected to be eligible to be traded through the CREST system with effect from the date of commencement of dealings on the London Stock Exchange.

Euronext

If the Capitalisation Issue becomes effective, then prior to the commencement of dealings in the new Ordinary Shares on Euronext Amsterdam, the relevant number of new Ordinary Shares will be allotted to the appropriate Admitted Institutions which will credit the securities accounts of those Shareholders who hold their Ordinary Shares in uncertificated form in Euroclear Nederland.

General

There will be no suspension of dealings in London or Amsterdam and the register of members of the Company will not close for the purposes of implementing the Capitalisation Issue.

6 Dealings and settlement

The new Ordinary Shares issued to Shareholders will be issued by entry on the register of members of the Company.

7 Dividends

Other than in respect of the interim dividend for the financial year ending 31 December 2008, the payment of the Company's dividends will not be affected by the Capitalisation Issue. All mandates and other instructions in force relating to dividend payments, including the DRIP elections, will, unless and until revoked, remain in force.

Any residual dividend entitlements of Shareholders held by the Company in respect of DRIP elections made in respect of their holdings of existing Ordinary Shares will continue to be carried forward in accordance with the terms and conditions of the DRIP to be applied in respect of Ordinary Shares in the future.

The new Ordinary Shares will be entitled to the 2008 final dividend.

8 Share Plans

As a consequence of the Capitalisation Issue, all current options and awards granted under the Company's Employee Share Plans (the "Share Plans") will require to be restated to reflect the Capitalisation Issue. This change does not require any amendments to be made to the rules of the Share Plans, although any corporate performance measures will need to reflect the Capitalisation Issue.

9 Taxation consequences

The taxation consequences of the Capitalisation Issue are set out in Part XI of this document.

10 Overseas Shareholders

It is the responsibility of overseas Shareholders to ensure that all relevant laws and regulations in overseas jurisdictions applicable to them or their shareholdings (for example exchange control laws or regulations) are complied with, and that they obtain any permissions or consents required to be obtained by them, or make any filings required to be made by them, in overseas jurisdictions.

PART XI
TAXATION

1 United Kingdom

The following statements are intended only as a general guide to the position under current United Kingdom law and HMRC published practice as at the date of this document. They relate only to certain limited aspects of the United Kingdom taxation treatment of holders of the Existing Shares and apply only to persons who are resident and ordinarily resident in the United Kingdom for United Kingdom tax purposes and who are beneficial owners of Existing Shares. They may not apply to certain Shareholders, such as dealers in securities, insurance companies and collective investment schemes, Shareholders who are exempt from taxation and Shareholders who have (or are deemed to have) acquired their Existing Shares by virtue of an office or employment. Such persons may be subject to special rules. Any person who is in any doubt as to their tax position, or who is subject to taxation in any jurisdiction other than the United Kingdom, should consult their own professional adviser.

Shareholders who acquire New Shares

For the purposes of CGT, the issue of the New Shares should be regarded as a reorganisation of the share capital of the Company.

Accordingly, you will not be treated as making a disposal of all or part of your holding of Existing Shares by reason of taking up all or part of your rights to New Shares. No liability to CGT in respect of the New Shares should arise if you take up your entitlement to New Shares in full.

For CGT purposes, your Existing and New Shares will be treated as the same asset acquired at the time you acquired your Existing Shares. The subscription monies for your New Shares will be added to the base cost of your existing holding(s).

In the case of a corporate Shareholder, indexation allowance will apply to the amount paid for the New Shares only from, generally, the date the monies for the New Shares are paid.

If you sell all or some of the New Shares allotted to you, or your rights to subscribe for them, or if you allow or are deemed to have allowed your rights to lapse and receive a cash payment in respect of them, you may, depending on your circumstances, incur a liability to tax on any capital gain realised. However, if the proceeds resulting from the disposal of your rights to subscribe for New Shares or lapse of rights are “small” as compared to the value of the Existing Shares in respect of which the rights arose, you may be treated as making no disposal for the purpose of CGT. No liability to CGT will then arise as a result of the disposal or lapse of the rights, but the proceeds will be deducted from the base cost of your holding of Existing Shares. HMRC interprets “small” as 5 per cent. or less of the value of the Existing Shares held or £3,000 or less, regardless of whether or not it would pass the 5 per cent. test.

In the United Kingdom Pre-Budget Report of October 2007, proposed changes to the capital gains tax rules were announced. Under these amended rules, capital gains tax will be charged at a flat rate of 18 per cent. for individuals, trustees and personal representatives, irrespective of how long an asset has been held and taper relief and indexation allowance will be withdrawn. Proposed legislation to implement these changes is now contained in the Finance Bill 2008 and, as currently drafted, will affect the treatment of disposals of New Shares on or after 6 April 2008. These changes to capital gains tax, as currently drafted, do not affect holders within the charge to United Kingdom corporation tax in respect of their chargeable gains.

An individual Shareholder who has ceased to be resident or ordinarily resident for tax purposes in the United Kingdom for a period of less than five years of assessment and who disposes of all or part of his New Shares during that period of temporary non-residence may be liable on his return to the United Kingdom to capital gains tax arising during the period of absence, subject to any available exemption or relief.

Stamp duty and SDRT

- (a) No stamp duty or SDRT will be payable on the issue of Provisional Allotment Letters or split Provisional Allotment Letters. Accordingly, where New Shares represented by such documents are registered in the name of the original subscriber, no liability to stamp duty or SDRT will arise.

- (b) Persons who purchase (or are treated as purchasing) rights to New Shares represented by Provisional Allotment Letters or split Provisional Allotment Letters (whether nil paid or fully paid on or before the latest time for registration or renunciation) will not generally be liable to stamp duty, but the purchaser will normally be liable to pay SDRT at the rate of 0.5 per cent. of the actual consideration paid.
- (c) Where such a purchase is effected through a stockbroker or other financial intermediary, that person will normally account for the liability of SDRT and will indicate that this has been done in any contract note issued to a purchaser. In other cases, the purchaser of the rights to the New Shares represented by the Provisional Allotment Letter or the split Provisional Allotment Letter is liable to pay the SDRT and must account for it to HMRC. In the case of transfers within CREST, any SDRT due will be collected through CREST in accordance with the CREST rules.
- (d) No stamp duty or SDRT will be payable on the registration of Provisional Allotment Letters or split Provisional Allotment Letters, whether by the original holders or their renounees.
- (e) Where New Shares are issued or transferred (i) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depository receipts, stamp duty or SDRT will be payable at the higher rate of 1.5 per cent. of the consideration payable or, in certain circumstances, the value of the New Shares (rounded up in the case of stamp duty to the nearest £5). Clearance services may opt, provided certain conditions are satisfied, for the normal rate of stamp duty or SDRT (0.5 per cent.) to apply to issues or transfers of shares into, and to transactions within, such services instead of the higher rate applying to an issue or a transfer of shares into the clearance service. Euroclear Nederland is such a clearance service. Where New Shares are issued to Euroclear Nederland, a charge to SDRT will arise on issue. The charge will be equal to 1.5 per cent. of the Issue Price. The SDRT liability will fall on Euroclear Nederland, but where a Qualifying Euroclear Shareholder's New Shares are issued to Euroclear Nederland, the Company will pay an amount equal to such SDRT payable to Euroclear Nederland to discharge such liability. Subsequent dealings in New Shares issued to Euroclear Nederland will be free from stamp duty and SDRT.
- (f) Save as mentioned in (e) above, any subsequent dealings in New Shares will be subject to stamp duty or SDRT in the normal way. The transfer on sale of Existing or New Shares will be liable to *ad valorem* stamp duty, generally at the rate of 0.5 per cent. thereof (rounded to the nearest multiple of £5) of the consideration paid. An unconditional agreement to transfer such shares will be liable to SDRT, generally at the rate of 0.5 per cent. of the consideration paid, but such liability will be cancelled or a right to a repayment in respect of the SDRT liability will arise if the agreement is completed by a duly stamped transfer within six years of the agreement having become unconditional. SDRT is normally the liability of the purchaser.
- (g) Under the CREST system for paperless share transfers, no stamp duty or SDRT will arise on a transfer of shares into the system provided, in the case of SDRT, the transfer is not for money or money's worth. Transfers of shares within CREST are liable to SDRT (at a rate of 0.5 per cent. of the amount or value of the consideration payable) rather than stamp duty, and SDRT on relevant transactions settled within the system or reported through it for regulatory purposes will be collected by CREST.

Dividends

The Company will not be required to withhold tax at source when paying a dividend.

A United Kingdom resident individual Shareholder, or an individual who carries on a trade, profession or vocation in the United Kingdom through a branch or agency and has used, held or acquired Shares for the purposes of such trade, profession or vocation, branch or agency, who receives a dividend from the Company will be entitled to a tax credit which may be set off against the Shareholder's total income tax liability on the dividend. The tax credit will be equal to 10 per cent. of the aggregate of the dividend and the tax credit (the "gross dividend"), which is also equal to one-ninth of the cash dividend received. Such an individual United Kingdom resident Shareholder who is liable to income tax at a rate not exceeding the basic rate will be subject to tax on the dividend at the rate of 10 per cent. of the gross dividend, so that the tax credit will satisfy in full such Shareholder's liability to income tax on the dividend. In the case of such an individual Shareholder who is liable to income tax at the higher rate, the tax credit will be set

against but not fully match the Shareholder's tax liability on the gross dividend and such Shareholder will have to account for additional income tax equal to 22.5 per cent. of the gross dividend (which is also equal to 25 per cent. of the cash dividend received) to the extent that the gross dividend when treated as the top slice of the Shareholder's income falls above the threshold for higher rate income tax.

A United Kingdom resident individual Shareholder who is not liable to income tax in respect of the gross dividend and other United Kingdom resident taxpayers who are not liable to UK tax on dividends, including pension funds and charities, will not be entitled to claim repayment of the tax credit attaching to dividends paid by the Company.

Shareholders who are within the charge to corporation tax will generally not be subject to corporation tax on dividends paid by the Company. Such Shareholders will not be able to claim repayment of tax credits attaching to dividends.

Non-United Kingdom resident Shareholders will not generally be able to claim repayment from HMRC of any part of the tax credit attaching to dividends paid by the Company. A Shareholder resident outside the United Kingdom may also be subject to foreign taxation on dividend income under local law. Shareholders who are not resident for tax purposes in the United Kingdom should obtain their own tax advice concerning tax liabilities on dividends received from the Company.

United Kingdom Taxation of the Capitalisation Issue

For the purposes of CGT, the Capitalisation Issue 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 a Shareholder 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.

Any sale by Shareholders of some or all of their Capitalisation Issue Shares will, however, constitute a disposal for the purposes of CGT and may, depending on the Shareholder's individual circumstances, give rise to a tax liability.

The Capitalisation Issue should not result in a charge to tax as income, and will not give rise to a charge to stamp duty or SDRT.

2 United States

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS DOCUMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE COMPANY IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE COMPANY OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

The following is a summary of certain material US federal income tax consequences of the acquisition, ownership and disposition of Rights and New Shares and Capitalisation Issue Shares by a US Holder (as defined below). This summary deals only with US Holders that will receive the Rights and Capitalisation Issue Shares with respect to Existing Shares and that will hold the Rights, New Shares and Capitalisation Issue Shares as capital assets. The discussion does not cover all aspects of US federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Rights, New Shares and Capitalisation Issue Shares by particular investors, and does not address state, local, foreign or other tax laws. This summary also does not address tax considerations applicable to investors that own (directly or indirectly) 10 per cent. or more of the voting stock of the Company, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the US federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Rights, New Shares and Capitalisation Issue Shares as part of straddles, hedging transactions or conversion transactions for US federal income tax purposes or investors whose functional currency is not the US dollar).

As used herein, the term “US Holder” means a beneficial owner of Rights, New Shares or Capitalisation Issue Shares that is, for US federal income tax purposes, (i) an individual citizen or resident of the United States; (ii) a corporation created or organised under the laws of the United States or any State thereof; (iii) an estate the income of which is subject to US federal income tax without regard to its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for US federal income tax purposes.

The US federal income tax treatment of a partner in a partnership that holds Rights and New Shares will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are partnerships should consult their tax advisers concerning the US federal income tax consequences to their partners of the acquisition, ownership and disposition of Rights and New Shares by the partnership.

The summary assumes that the Company is not and will not become a passive foreign investment company (a “PFIC”) for US federal income tax purposes, which the Company believes to be the case. The Company’s possible status as a PFIC must be determined annually and therefore may be subject to change. If the Company were to be a PFIC in any year, materially adverse consequences could result for US Holders.

The summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, as well as on the income tax treaty between the United States and the United Kingdom (the “Treaty”), all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF US FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE RIGHTS AND NEW SHARES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Taxation in respect of Rights

Receipt of Rights

The tax consequences of the receipt of Rights by a US Holder are not free from doubt. In particular, it is not clear whether the sale of Rights by the underwriters, and the remittance of the proceeds from that sale to certain US Holders whose Rights were sold, should be treated as a sale and distribution by the Company, or as a distribution of Rights by the Company and a subsequent sale of those Rights by the relevant holders. If the sale and distribution were considered to be made by the Company, then the receipt of Rights would be taxable to US Holders as a dividend to the extent of the Company’s current or accumulated earnings and profits, as described below under “Taxation in Respect of New Shares – Dividends”. However, based on the particular facts relating to the Rights and the sale of Rights by the underwriters, we believe it is proper to take the position that a US Holder is not required to include any amount in income for US federal income tax purposes as a result of the receipt of the Rights. It is possible that the IRS will take a contrary view and require a US Holder to include in income the fair market value of the Rights on the date of their distribution. The remainder of this discussion assumes that the receipt of the Rights will not be a taxable event for US federal income tax purposes.

The basis in the US Holder’s Existing Shares with respect to which Rights were received must be allocated among the Existing Shares, Rights and the Capitalisation Issue Shares (to the extent required below in the discussion of the Capitalisation Issue) in proportion to their fair market values on the date of receipt.

If, on the date of receipt, the fair market value of Rights is 15 per cent. or more of the fair market value of the Existing Shares with respect to which the rights are received, then, except as discussed below under “Expiration of Rights”, the basis in the US Holder’s Existing Shares with respect to which Rights were received must be allocated between the Existing Shares and Rights received in proportion to their fair market values determined on the date of receipt.

Sale or other disposition of Rights

Upon a sale or other disposition of Rights, a US Holder will generally recognise capital gain or loss equal to the difference, if any, between the US dollar value of the amount realised (as determined on the date of the sale or other disposition) and the US Holder's adjusted tax basis in the Rights. Any gain or loss will be US source, and will be long-term capital gain or loss if the US Holder's holding period in the Rights exceeds one year. A US Holder's holding period in the Rights will include the holding period in the shares with respect to which the Rights were distributed.

A US Holder that receives a payment from the Underwriters on account of the sale of New Shares at a premium over the Issue Price will be treated either as having sold the Rights or as having exercised the Rights and sold the New Shares (as described below under “—Taxation in respect of New Shares—Sale or other disposition”). A US Holder that receives such a payment should consult its own tax advisers about the US federal income tax treatment of those amounts.

The amount realised on a sale or other disposition of Rights for an amount in foreign currency will be the US dollar value of this amount on the date of sale or disposition. On the settlement date, the US Holder will recognise US source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the US dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of Rights traded on an established securities market that are sold by a cash basis US Holder (or an accrual basis US Holder that so elects), the amount realised will be based on the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss will be recognised at that time. It is unclear if this exception will apply to any sale of the Rights, in part because it is uncertain whether an active trading market on an established securities market will develop for the Rights.

Expiration of Rights

If a US Holder allows the Rights to expire without selling or exercising them and does not receive any proceeds, the holder will not recognise any loss upon the expiration of the Rights, and the holder will not be entitled to allocate any basis to the Rights.

Exercise of Rights

A US Holder will not recognise taxable income upon the receipt of New Shares pursuant to the exercise of Rights. A US Holder's basis in the New Shares will equal the sum of the US dollar value of the Issue Price determined at the spot rate on the date of exercise and the US Holder's basis, if any, in the Rights exercised to obtain the New Shares. A US Holder's holding period in each New Share acquired through the exercise of a Right will begin with and include the date of exercise.

Taxation in respect of New Shares

Dividends

General

Distributions paid by the Company out of current or accumulated earnings and profits (as determined for US federal income tax purposes) will generally be taxable to a US Holder as foreign source dividend income, and will not be eligible for the dividends received deduction allowed to corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the US Holder's basis in the New Shares and thereafter as capital gain. However, the Company does not maintain calculations of its earnings and profits in accordance with US federal income tax accounting principles. US Holders should therefore assume that any distribution by the Company with respect to New Shares will constitute ordinary dividend income. US Holders should consult their own tax advisors with respect to the appropriate US federal income tax treatment of any distribution received from the Company.

For taxable years that begin before 2011, dividends paid by the Company will generally be taxable to a non-corporate US Holder at the special reduced rate normally applicable to long-term capital gains, provided the Company qualifies for the benefits of the Treaty. A US Holder will be eligible for this reduced rate only if it has held the New Shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date.

Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to dividends on the New Shares.

Foreign currency dividends

Dividends paid in pounds sterling will be included in income in a US dollar amount calculated by reference to the exchange rate in effect on the day the dividends are received by the US Holder, regardless of whether the pounds sterling are converted into US dollars at that time. If dividends received in pounds sterling are converted into US dollars on the day they are received, the US Holder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income. Any gain or loss recognised on a sale or other disposition of a foreign currency will be US source ordinary income or loss.

Sale or other disposition

Upon a sale or other disposition of New Shares, a US Holder generally will recognise capital gain or loss for US federal income tax purposes equal to the difference, if any, between the amount realised on the sale or other disposition and the US Holder's adjusted tax basis in the New Shares. This capital gain or loss will be long-term capital gain or loss if the US Holder's holding period in the New Shares exceeds one year. However, regardless of a US Holder's actual holding period, any loss may be long-term capital loss to the extent the US Holder receives a dividend that qualifies for the reduced rate described above under "Dividends – General", and exceeds 10 per cent. of the US Holder's basis in its New Shares.

A US Holder's tax basis in a New Share will generally be its US dollar cost. The US dollar cost of a New Share purchased with foreign currency will generally be the US dollar value of the purchase price on the date of purchase, or the settlement date for the purchase, in the case of New Shares traded on an established securities market, as defined in the applicable treasury regulations, that are purchased by a cash basis US Holder (or an accrual basis US Holder that so elects). Such an election by an accrual basis US Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS. The amount realised on a sale or other disposition of New Shares for an amount in foreign currency will be the US dollar value of this amount on the date of sale or disposition. On the settlement date, the US Holder will recognise US source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the US dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of New Shares traded on an established securities market that are sold by a cash basis US Holder (or an accrual basis US Holder that so elects), the amount realised will be based on the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss will be recognised at that time.

Disposition of foreign currency

Foreign currency received on the sale or other disposition of a New Share will have a tax basis equal to its US dollar value on the settlement date. Foreign currency that is purchased will generally have a tax basis equal to the US dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase New Shares or upon exchange for US dollars) will be US source ordinary income or loss.

Backup withholding and information reporting

Payments of dividends and other proceeds with respect to New Shares, by a US paying agent or other US intermediary, will be reported to the IRS and to the US Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the US Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its US federal income tax returns. Certain US Holders (including, among others, corporations) are not subject to backup withholding. US Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Taxation in Respect of the Capitalisation Issue

Receipt of Capitalisation Issue Shares as a result of the Capitalisation Issue

A US Holder should not be required to include any amount in income for US federal income tax purposes as a result of the receipt of the Capitalisation Issue Shares issued pursuant to the Capitalisation Issue.

The basis allocated to the Capitalisation Issue Shares will depend, in part, on whether the US Holder is treated as receiving the Capitalisation Issue Shares and the Rights as part of the same transaction, or in separate transactions. If the Capitalisation Issue and distribution of Rights are treated as part of the same transaction, then the US Holder's pre-existing basis will be allocated among those Shares, the Rights and the Capitalisation Issue Shares, in proportion to their relative fair market values on the date of receipt.

If the Capitalisation Issue and distribution of Rights are treated as separate transactions, and on the date of receipt, the fair market value of the Capitalisation Issue Shares is less than 15 per cent. of the fair market value of the Shares with respect to which the Capitalisation Issue Shares are received, the Capitalisation Issue Shares will be allocated a zero tax basis unless the US Holder affirmatively elects to allocate its tax basis in the manner described above. This election must be made in the US Holder's timely filed US federal income tax return for the taxable year in which Capitalisation Issue Shares are received, in respect of all Capitalisation Issue Shares received by the US Holder, and is irrevocable.

A US Holder's holding period in the Capitalisation Issue Shares will include the holding period in the Shares with respect to which the Capitalisation Issue Shares were distributed.

In all other respects, a US Holder will be treated as described above under “—Taxation in respect of New Shares”.

PART XII

ADDITIONAL INFORMATION

1 Responsibility

The Company and the Directors, whose names are set out on page 22 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 Incorporation and registered office

- 2.1** RBS was incorporated and registered in Scotland on 25 March 1968 under the Companies Act 1948 to 1967 as a private limited company under the name National and Commercial Banking Group Limited. On 3 September 1979, it changed its name to The Royal Bank of Scotland Group Limited. On 10 March 1982, it changed its name to its present name and was registered under the Companies Act 1948 to 1980 as a public company with limited liability. The Company is registered under company number SC45551.
- 2.2** The Company is domiciled in the United Kingdom. Its head office is at RBS Gogarburn, PO Box 1000, Edinburgh EH12 1HQ and its registered office is at 36 St Andrew Square, Edinburgh EH2 2YB (Tel. No. 0131 556 8555 or, if dialling from outside the United Kingdom, +44 131 556 8555).
- 2.3** The principal laws and legislation under which the Company operates, and under which the Ordinary Shares have been created, are the Companies Act and regulations made thereunder.

3 RBS's share capital

- 3.1** As at 28 April 2008 (being the latest practicable date prior to the date of this document), the authorised, issued and fully paid share capital of the Company was as follows:

Class of Share	Authorised		Issued and fully paid	
	Number	Amount	Number	Amount
Non-cumulative Convertible Preference Shares of £0.01 each	1,000,000	£10,000	200,000	£2,000
Non-voting Deferred Shares of £0.01 each	32,300,000,000	£323,000,000	2,660,556,304	£26,605,563.04
Category II Non-cumulative Convertible Preference Shares of £0.25 each	900,000,000	£225,000,000	—	—
Ordinary Shares of £0.25 each	14,570,491,722	£3,642,622,930.50	10,019,471,665	£2,504,867,916.25
11% Cumulative Preference Shares of £1.00 each	500,000	£500,000	500,000	£500,000
5.5% Cumulative Preference Shares of £1.00 each	400,000	£400,000	400,000	£400,000
Non-cumulative Preference Shares of £1.00 each	300,000,000	£300,000,000	750,000	£750,000
Additional Value Shares of £0.01 each	2,700,000,000	£27,000,000	—	—
Non-cumulative Convertible Preference Shares of €0.01 each	3,000,000	€30,000	—	—
Non-cumulative Preference Shares of €0.01 each	66,000,000	€660,000	2,526,000	€25,260
Category II Non-cumulative Preference Shares of US\$0.01 each	500,000,000	US\$5,000,000	308,015,000	US\$3,080,150
Non-cumulative Preference Shares of US\$0.01 each	16,000,000	US\$160,000	—	—
Non-cumulative Convertible Preference Shares of US\$0.01 each	3,900,000	US\$39,000	1,000,000	US\$10,000

- 3.2 The authorised, issued and fully paid ordinary share capital of the Company immediately following completion of the Rights Issue⁽¹⁾ is expected to be as follows:

Authorised		Issued and fully paid	
Number	£ millions	Number	£ millions
20,693,502,184	5,173,375,546	16,142,482,127	4,035,620,531.75

Note:

- (1) The number of Ordinary Shares in issue immediately following the Rights Issue assumes that no options are exercised under the RBS Employee Share Plans between the date of this document and completion of the Rights Issue.

- 3.3 Save as disclosed in paragraphs 3.5 and 3.6 below, since 1 January 2005 there has been no issue of share capital of RBS, fully or partly paid, either in cash or for other consideration, and (other than in connection with the Rights Issue, the Capitalisation Issue and the exercise of options) no such issues are proposed. Other than in connection with the RBS Employee Share Plans, no share capital of RBS or any of its subsidiaries is under option or agreed conditionally or unconditionally to be put under option. As at the date of this document, RBS holds no treasury shares.
- 3.4 The number of Ordinary Shares outstanding at the beginning and end of the last financial year, is as follows:

Date	Authorised	Issued and fully paid
1 January 2007	5,079,375,406	3,152,844,335
31 December 2007	12,070,491,722	10,006,215,087

3.5 History of ordinary share capital

Authorised ordinary share capital

As at 1 January 2005, the first day covered by the historical financial information incorporated by reference into this document, the authorised ordinary share capital of the Company was £1,019,843,851.50, divided into 4,079,375,406 Ordinary Shares. Since 1 January 2005, the authorised ordinary share capital was increased by £250,000,000 on 20 April 2005, by a further £1,608,743,154 on 8 May 2007, by a further £139,035,925 on 10 October 2007 and by a further £625,000,000 on 23 April 2008.

Issued ordinary share capital

As at 1 January 2005, the first day covered by the historical financial information incorporated by reference into this document, 3,172,605,080 Ordinary Shares were in issue fully paid or credited as fully paid. Since 1 January 2005, there have been the following changes in the issued ordinary share capital of the Company:

Year	Ordinary Shares issued as a result of the exercise of Options granted under Sharesave Scheme	Ordinary Shares issued as a result of the exercise of Executive Share Option Scheme	Ordinary Shares issued as a result of the issue of Profit Sharing Shares	Ordinary Shares issued in connection with Scrip Dividends	Ordinary Shares issued in connection with Option 2000 Scheme	Ordinary Shares repurchased by RBS	Ordinary Shares issued in connection with MPP	Ordinary Shares allotted as a result of the Bonus Issue	Ordinary Shares allotted in respect of the acquisition of ABN AMRO
2005	10,462,831	938,796	2,297,171	7,464,618	2,761,238	—	13,937	—	—
2006	1,248,450	2,566,736	2,190,017	—	3,981,772	(53,698,621)	12,310	—	—
2007	19,145,755	—	—	—	—	(695,000)	—	6,304,298,670	530,621,327
2008	1,124,296	794,244	11,338,038	—	—	—	—	—	—

At 31 December 2007 the authorised ordinary share capital of the Company was £3,017,622,930.50 divided into 12,070,491,722 Ordinary Shares, of which 10,006,215,087 were issued and fully paid up.

- 3.6 Subject to the passing of Resolution 1 and Admission, pursuant to the Rights Issue, 6,123,010,462 New Shares will be issued at a price of 200 pence per New Share. This will result in the issued ordinary share capital of the Company increasing by approximately 61 per cent.

Qualifying Shareholders who take up their pro rata entitlement in full will suffer no dilution to their interests in the Company. Qualifying Shareholders who do not take up any of their rights to subscribe for the New Shares will suffer an immediate dilution of 37.9 per cent. in their interests in the Company.

- 3.7** At an annual general meeting of the Company held on 23 April 2008, the power conferred on the Directors by paragraph (1) of Article 13(B) of the Articles of Association was renewed for a period expiring at the conclusion of the annual general meeting of RBS in 2009 and for the purposes of that Article the "Section 80 amount" was set at £833,925,071.

At that annual general meeting, the following resolutions were also passed:

- 3.7.1 the power conferred on the Directors by paragraph (2) of Article 13(B) of the Articles of Association was renewed for the period ending at the conclusion of the annual general meeting of RBS in 2009 and for that purpose the "Section 89 amount" was £125,088,760;
- 3.7.2 pursuant to Article 11 of the Articles of Association, the Company was generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act) of Ordinary Shares, provided that:
- (i) the maximum number of Ordinary Shares to be purchased is 1,000,710,085 (representing 10 per cent. of the issued ordinary share capital);
 - (ii) the minimum price which may be paid for an Ordinary Share is 25 pence per share which amount shall be exclusive of expenses;
 - (iii) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share is, in respect of an Ordinary Share contracted to be purchased on any day, the higher of (i) an amount equal to 105 per cent. of the average of the mid-market quotations for an Ordinary Share of the Company as derived from the Daily Official List of The London Stock Exchange for the five business days immediately preceding the day on which the Ordinary Share is contracted to be purchased and (ii) that stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation (Commission Regulation (EC) of 22 December 2003 (Number 2273/2003));
 - (iv) the authority will expire at the conclusion of the annual general meeting of the Company in 2009 or 18 months from the date of the resolution (whichever is the earlier) unless such authority is renewed prior to such time; and
 - (v) the Company may conclude a contract to purchase Ordinary Shares under the authority prior to the expiry of such authority which will or may be executed wholly or partly after such expiry, and may make a purchase of Ordinary Shares in pursuance of any such contract as if the authority had not expired.

- 3.8** Resolution 1, if passed, will:

- (i) increase the authorised ordinary share capital of the Company to £5,173,375,546 by the creation of 6,123,010,462 Ordinary Shares; and
- (ii) vary the general authority to allot relevant securities conferred by paragraph (1) of Article 13(B) of the Articles of Association for the period ending on the date of the Company's annual general meeting in 2009, by increasing the Section 80 amount by £1,530,752,616 to £2,364,677,687.

The general authority to allot relevant securities for the prescribed period referred to in paragraph 3.7 above will, once increased as described in paragraph 3.8(ii) above, authorise the Directors to allot relevant securities representing approximately 94 per cent. of the Ordinary Share capital of RBS as at the date of this document.

4 Memorandum and Articles of Association

The Memorandum and Articles of Association are available for inspection at the address specified in paragraph 26 below.

4.1 Memorandum of Association

The Memorandum of Association provides, amongst other things, that the main objects for which the Company is formed and incorporated is to carry on the business of banking in all or any of its aspects and to carry on the business of a holding company. The objects of the Company are set out in full in clause 4 of the Memorandum of Association of the Company.

4.2 Articles of Association

The Articles of Association adopted pursuant to a resolution passed at the Company's annual general meeting on 23 April 2008, contain provisions to the following effect:

4.2.1 *Voting rights*

Subject to any special rights or restrictions provided by the Articles of Association, on a show of hands at a general meeting of the Company every holder of Ordinary Shares and Cumulative Preference Shares present in person or by proxy and entitled to vote shall have one vote. On a poll, every holder of Ordinary Shares present in person or by proxy and entitled to vote shall have one vote for every share held. On a poll, every holder of Cumulative Preference Shares present in person or by proxy and entitled to vote shall have four votes for every Share held. Voting rights may not be exercised by a member who has been served with a restriction notice after failure to provide RBS with information concerning interests in shares to be provided under UK law.

Holders of non-cumulative preference shares are not entitled to attend or vote at any general meeting unless the business of the meeting includes the consideration of a resolution for the winding-up of RBS or any resolution directly varying or abrogating the rights attached to any such shares and then in such case only to speak to and vote upon any such resolution. However, holders have the right to vote in respect of any matter when the dividend payable on their shares has not been declared in full for such number of dividend periods as the Directors shall determine prior to the allotment thereof.

4.2.2 *Shareholders' meetings*

The Board must call an annual general meeting once in every year, subject to the Companies Act. All other general meetings are to be called general meetings and may be called by the Directors whenever they think fit. The Directors must also convene a meeting upon the request of Shareholders holding not less than 10 per cent. of RBS's paid-up capital carrying voting rights at general meetings of Shareholders. A request for a general meeting of Shareholders must state the objects of the meeting, and must be signed by the requesting Shareholders and deposited at RBS's registered office. If RBS's directors fail to give notice of such meeting to Shareholders within 21 days from receipt of notice, the Shareholders that requested the general meeting, or any of them representing more than one-half of the total voting rights of all Shareholders that requested the meeting, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months. Any such meeting must be convened in the same manner, as reasonably as possible, as that in which meetings are to be convened by RBS's Directors.

RBS must give at least 21 days' notice in writing of an annual general meeting. All other general meetings may be called by at least 14 days' notice in writing. Notice shall be given to the auditors and to every member of RBS, other than those who are not entitled to receive such notice under the provisions of the Articles of Association.

A meeting may be called by shorter notice provided that:

- (i) in the case of an annual general meeting, all the members entitled to attend and vote at the meeting agree to the short notice; and
- (ii) in the case of a General Meeting, by a majority in number of the members having a right to attend and vote thereat, being a majority holding not less than 95 per cent. in nominal value of the shares giving that right.

The notice calling a general meeting must specify the place, day and time of the meeting.

4.2.3 Attendance at Shareholders' meetings; proxies and votes by mail

In general, all Shareholders (subject to restrictions for holders of non-cumulative preference shares as set out above) who have properly registered their shares may participate in general meetings. Shareholders may attend in person or by proxy. Shareholders may vote in person or by proxy.

In order to attend or vote at any general meeting, a person must be entered on the register of members by the time, being not more than 48 hours before the meeting, specified in the notice of the general meeting.

A Shareholder may appoint a proxy in writing or by electronic communication. The appointment of a proxy must be delivered to or received by RBS at the address specified for that purpose not later than 48 hours before the time appointed for the holding of the meeting. A proxy need not be a member of RBS.

A member may appoint more than one proxy in relation to a general meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member.

4.2.4 Quorum

The Articles of Association state that no business other than the appointment of a chairman of the meeting shall be transacted at any general meeting unless a quorum is present. A quorum for the purposes of a general meeting is five Shareholders present in person and entitled to vote at the meeting.

If a quorum is not present at a general meeting within 15 minutes of the time appointed for the meeting (or such longer time not exceeding one hour as the chairman of the meeting may determine), the meeting shall be adjourned to either the day and time specified in the notice convening the meeting for such purpose or (if not specified) such time as the chairman of the meeting may determine. In the event of the latter, not less than seven days' notice of the adjourned meeting shall be given. If a quorum is not present at the adjourned meeting within 15 minutes of the time appointed, the members present in person or by proxy and entitled to vote at the meeting shall constitute a quorum.

4.2.5 Votes required for Shareholder action

A simple majority of Shareholders may pass an ordinary resolution. To pass a special resolution, a majority of not less than three-quarters of the members entitled to vote at the meeting is required.

4.2.6 Amendments affecting Shareholder rights

Shareholder rights of a class of shares in the capital of RBS may be varied either with the written consent of the holders of three-quarters of the issued shares of the class affected, or by a special resolution passed at a separate general meeting of the class of Shareholders affected. The provisions of the Articles of Association relating to general meetings shall apply to such separate class meetings, except that (other than at an adjourned meeting) the necessary quorum shall be at least two persons holding or representing by proxy one-third of the nominal amount of the issued shares of the class, and that any holder of the shares present in person or by proxy may demand a poll and on such a poll every holder shall have one vote for every share of the class held by him.

4.2.7 Financial statements and other communications with Shareholders

Not less than 21 days before the date of a general meeting, RBS must send or make available a copy of every balance sheet and profit and loss account which is to be laid before a general meeting, and a copy of the Directors' and Auditors' reports, to every member of RBS and every person who is entitled to receive notice of the meeting.

4.2.8 Dividends

RBS may declare dividends on the Ordinary Shares by ordinary resolution but no dividend shall be payable except out of distributable profits. No dividend shall be payable in excess of the amount recommended by the Directors, or in contravention of the special rights

attaching to any share. Dividends shall be declared and paid according to the amounts paid on the shares in respect of which the dividend is paid. As regards any shares not fully paid, the dividend shall be apportioned and paid pro rata according to the amounts paid on the shares during the period in respect of which the dividend is paid.

No dividend payable shall bear interest against RBS.

Each Cumulative Preference Share confers the right to a fixed cumulative preferential dividend payable half-yearly. Each non-cumulative preference share confers the right to a preferential dividend (not exceeding a specified amount) payable in the currency of the relevant share. The rate of such dividend and the date of payment thereof, together with the terms and conditions of the dividend are as may be determined by the Directors prior to allotment. Cumulative Preference Share dividends are paid in priority to any dividend on any other class of share.

The non-cumulative preference shares rank for dividend after the Cumulative Preference Shares but rank *pari passu* with each other and any shares expressed to rank, in terms of participation in the profits of RBS, in some or all respects *pari passu* therewith and otherwise in priority to dividends payable on the Ordinary Shares and any other share capital in RBS.

Dividends will be declared and paid in full on non-cumulative preference shares if, in the opinion of the Directors, RBS has sufficient distributable profits, after payment in full or the setting aside of a sum to provide for all dividends accrued on the Cumulative Preference Shares, to cover such payment in full.

If, in the opinion of the Directors, insufficient profits of RBS are available to cover the payment in full of dividends after having paid any dividends payable on the Cumulative Preference Shares, dividends will be declared by the Directors pro rata on the non-cumulative preference shares to the extent of the available distributable profits.

The non-cumulative preference shares will carry no further rights to participate in the profits of RBS and if, and to the extent that, any dividend or part of any dividend is on any occasion not paid for the reasons described above, holders of non-cumulative preference shares will have no claim in respect of such non-payment.

If any dividend is not payable for the reasons described above, or if payment of any dividend would cause a breach of the FSA's capital adequacy requirements applicable to RBS or its subsidiaries, the Directors may pay a special dividend not exceeding US\$0.01, £0.01 or €0.01 (depending on the currency of the relevant preference share) per share.

4.2.9 *Changes in share capital*

RBS may, by ordinary resolution, increase its share capital by such sum to be divided into shares of such amounts, and denominated in such currencies as prescribed by the resolution.

RBS may also, by ordinary resolution:

- (i) consolidate and divide any of its share capital into shares of larger amount than its existing shares;
- (ii) cancel any shares which, at the date of passing the resolution, have not been taken by any person and diminish the amount of its capital by the amount of the shares cancelled; or
- (iii) sub-divide any of its shares into shares of smaller amount than is fixed by the Memorandum of Association.

RBS may reduce its share capital or any capital redemption reserve, share premium account or other undistributable reserve in any manner and subject to any incident authorised, and consent required, by law.

4.2.10 Pre-emption rights

Under UK law, if RBS issues specific kinds of additional securities, current Shareholders will have pre-emption rights to those securities on a pro rata basis. Pre-emption rights are transferable during the subscription period relating to a particular offering.

The Shareholders may, by way of a special resolution, grant authority to the directors to allot shares as if the pre-emption rights did not apply. This authority may be either specific or general and may not exceed a period of five years. If Directors wish to seek authority to disapply the pre-emption rights, the Directors must produce a statement that is circulated to Shareholders detailing their reasons for seeking the disapplication of such pre-emption rights.

The pre-emption rights attaching to the Ordinary Shares do not apply to any allotments in respect of a rights issue where Ordinary Shares are allotted pursuant to the Directors' authority to allot set out in the Articles of Association.

4.2.11 Form, holding and transfer of Shares

Shares may be held in either certificated or uncertificated form.

Shares held in certificated form are evidenced by a certificate and a register of Shareholders is maintained by RBS's registrar. Any member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or a form approved by the directors.

Title to certificated shares is evidenced by entry in the register of RBS's members.

The Directors may decline to register any transfer of a certificated Share unless:

- (i) the instrument of transfer is lodged at the specified place and accompanied by the certificate for the shares to which it relates;
- (ii) the instrument of transfer is in respect of only one class of share; and
- (iii) in the case of a transfer to joint holders, the number of joint holders to whom the Share is to be transferred does not exceed four.

Existing Ordinary Shares held in uncertificated form are held through CREST (the computerised settlement system to facilitate the transfer of title to shares in uncertificated form operated by Euroclear UK).

Subject to any applicable restrictions in the Articles of Association, any member may transfer all or any of his uncertificated shares by means of a relevant system in the manner provided for in the Uncertificated Securities Regulations 2001 and the rules of the relevant system.

Title to uncertificated shares is evidenced by entry in the operator register maintained by Euroclear UK (which forms part of the Company's register of members).

The Directors may decline to register the transfer of an uncertificated Share in accordance with the Uncertificated Securities Regulations 2001, and, in the case of jointly held Shares, where the Share is to be transferred to more than four joint holders.

No fee is payable for the registration of transfers of either certificated or uncertificated shares, although see Part XI of this document for consequences thereof.

4.2.12 Liquidation rights

If RBS is liquidated, the liquidator may, with the authority of a special resolution, divide among the members *in specie* or kind the whole or any part of the assets of RBS. The liquidator may determine how such division is to be carried out as between members or classes of members.

In the event of a return of capital on a winding-up or otherwise, the holders of Cumulative Preference Shares are entitled to receive out of the surplus assets of RBS available for distribution amongst the members (i) in priority to the holders of the non-cumulative preference shares and any other shares ranking *pari passu* therewith, the arrears of any

fixed dividends including the amount of any dividend due for payment after the date of commencement of any winding-up or liquidation but which is payable in respect of a half-year period ending on or before such date and (ii) *pari passu* with the holders of the non-cumulative preference shares and any other shares ranking *pari passu* therewith, the amount paid up or credited as paid up on such shares together with any premium.

Each non-cumulative preference share shall confer on a winding-up or liquidation voluntary or otherwise other than (unless otherwise provided by the terms of issue), a redemption or purchase by RBS of any shares of any class, the right to receive out of surplus assets of RBS available for distribution amongst the members after payment of the arrears (if any) of the cumulative dividend on the Cumulative Preference Shares and in priority to the holders of the ordinary shares, repayment of the amount paid up or credited as paid up on the non-cumulative preference shares together with any premium paid on issue *pari passu* with the holders of the Cumulative Preference Shares and together with an amount equal to accrued and unpaid dividends.

4.2.13 Disclosure of holdings exceeding certain percentages

The Disclosure and Transparency Rules require Shareholders to notify RBS if the voting rights held by such Shareholder (including by way of a certain financial instrument) reaches, exceeds or falls below 3 per cent., 4 per cent., 5 per cent., 6 per cent., 7 per cent., 8 per cent., 9 per cent., 10 per cent. and each 1 per cent. threshold thereafter up to 100 per cent. Under the Disclosure and Transparency Rules, certain voting rights in RBS may be disregarded.

Pursuant to the Companies Act, RBS may also send a notice to any person whom RBS knows or believes to be interested in RBS's shares requiring that person to confirm whether he has such an interest and if so details of that interest.

Under the Articles of Association and UK law, if a person fails to comply with such a notice or provides information that is false in a material particular in respect of any shares (the "default shares"), the Directors may serve a restriction notice on such person. Such a restriction notice will state that the default shares and, if the Directors determine, any other shares held by that person, shall not confer any right to attend or vote at any general meeting of RBS.

In respect of a person with a 0.25 per cent. or more interest in the issued ordinary share capital of RBS, the Directors may direct in the restriction notice that, subject to certain exceptions, no transfers of shares held by such person (in certificated or uncertificated form) shall be registered and that any dividends or other payments on the shares shall be retained by RBS pending receipt by RBS of the information requested by the Directors.

4.2.14 Purchase of RBS's shares by RBS

Subject to UK law, and to any rights conferred on the holders of any class of shares and to any requirements imposed by the London Stock Exchange, RBS may purchase any of its own shares. The Directors are not obliged to select the shares to be purchased rateably or in any other particular manner as between the holders of shares of the same class or different classes.

4.2.15 Conversion

Convertible preference shares carry the right to convert into Ordinary Shares if they have not been the subject of a notice of redemption from RBS, on or before a specified date determined by the Directors. The right to convert will be exercisable by service of a conversion notice on RBS within a specified period. RBS will use reasonable endeavours to arrange the sale, on behalf of convertible preference shareholders who have submitted a conversion notice, of the Ordinary Shares which result from such conversion and to pay to them the proceeds of such sale so that they receive net proceeds equal to the nominal value of the convertible preference shares which were the subject of the conversion notice and any premium at which such shares were issued, provided that Ordinary Shares will not be sold at below a benchmark price (as determined prior to the issue of the relevant convertible preference shares by the Directors).

4.2.16 Lien and forfeiture

RBS has a lien on every partly paid Share for all amounts payable to RBS in respect of that Share. The Directors may call any monies unpaid on Shares and may sell Shares on which calls or amounts payable under the terms of issues are not duly paid.

4.2.17 Ownership of Shares by non-UK persons

There are no provisions in the Articles of Association that restrict non-resident or foreign shareholders from holding Ordinary Shares or from exercising voting rights attaching to Ordinary Shares.

4.2.18 Untraceable Shareholders

RBS shall be entitled to sell, at the best price reasonably obtainable, the shares of a member or the shares to which a person is entitled by transmission if:

- (i) during a period of 12 years prior to the date of advertising its intention to sell such shares at least three cash dividends in respect of such shares have become payable but all dividends or other monies payable remain unclaimed;
- (ii) as soon as practicable after the expiry of the period referred to in paragraph 4.2.18(i) above, RBS inserts advertisements in one daily newspaper with a national circulation in the United Kingdom, one Scottish daily newspaper and one newspaper circulating in the area of the last known address of the member or other person giving notice of its intention to sell the shares;
- (iii) during the period referred to in paragraph 4.2.18(i) above and the period of three months following the publication of the advertisements referred to in paragraph 4.2.18(ii) above, RBS receives no indication of the whereabouts or existence of the member or other person; and
- (iv) if the shares are listed on the London Stock Exchange, RBS gives notice to the London Stock Exchange of its intention to sell the shares prior to publication of the advertisements.

The net proceeds of such sale shall belong to RBS, which shall be obliged to account to the former member or other person previously entitled to the shares for an amount equal to the proceeds as a creditor of RBS.

5 Mandatory takeover bids, squeeze-out and sell-out rules

Other than as provided by the Companies Act and the Takeover Code, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules in relation to the Ordinary Shares.

6 Directors of the Company

6.1 Directors

The Directors and their principal functions are as follows:

Sir Tom McKillop	Chairman
Sir Fred Goodwin	Group Chief Executive
Guy Whittaker	Group Finance Director
Johnny Cameron	Chairman, Global Markets
Lawrence Fish ⁽¹⁾	Chairman, RBS America and Citizens Financial Group, Inc.
Mark Fisher	Chairman, Managing Board, ABN AMRO
Gordon Pell	Chairman, Regional Markets
Colin Buchan ⁽²⁾	Non-Executive Director
Jim Currie ⁽²⁾	Non-Executive Director
Bill Friedrich ⁽²⁾	Non-Executive Director
Archie Hunter ⁽²⁾	Non-Executive Director
Charles "Bud" Koch	Non-Executive Director
Janis Kong ⁽²⁾	Non-Executive Director
Joe MacHale ⁽²⁾	Non-Executive Director
Sir Steve Robson ⁽²⁾	Non-Executive Director
Bob Scott ⁽²⁾	Non-Executive Director
Peter Sutherland ⁽²⁾	Non-Executive Director

Notes:

(1) Lawrence Fish will become a Non-Executive Director with effect from 1 May 2008.

(2) Denotes Independent Non-Executive Director.

Brief biographical details of the Directors are as follows:

Sir Tom McKillop (age 65)

Appointed to the Board as Deputy Chairman in September 2005, Sir Tom is a non-executive director of BP p.l.c. and president of the Science Council. He was formerly chief executive of AstraZeneca PLC, president of the European Federation of Pharmaceutical Industries and Associations and chairman of British Pharma Group Limited. He is a trustee of The Council for Industry and Higher Education.

In addition to his directorship of RBS and any directorships of RBS Group companies, Sir Tom McKillop holds or has held in the past five years the following directorships. He has not been a partner in any partnerships during the past five years.

<u>Company</u>	<u>Status (Current/ Previous)</u>
BP p.l.c.	Current
Foundation for Science and Technology	Current
The Council for Industry and Higher Education	Current
AstraZeneca PLC	Previous
AstraZeneca UK Limited	Previous
British Pharma Group Limited	Previous
Lloyds TSB Bank plc	Previous
Lloyds TSB Group plc	Previous

Sir Fred Goodwin (age 49)

Group Chief Executive

Appointed to the Board in August 1998, Sir Fred is a Chartered Accountant. He was formerly chief executive and director, Clydesdale Bank PLC and Yorkshire Bank PLC. He is chairman of The Prince's Trust, a non-executive director of Bank of China Limited and a former president of the Chartered Institute of Bankers in Scotland.

In addition to his directorship of RBS and any directorships of RBS Group companies, Sir Fred Goodwin holds or has held in the past five years the following directorships. He has not been a partner in any partnerships during the past five years.

<u>Company</u>	<u>Status (Current/ Previous)</u>
Bank of China Limited	Current
The Scottish Business Achievement Award Trust Limited	Previous

Guy Whittaker (age 51)

Group Finance Director

Appointed to the Board in February 2006, Guy Whittaker joined RBS after spending 25 years with Citigroup where he was formerly group treasurer based in New York, and prior to that had held a number of management positions within the financial markets business based in London.

In addition to his directorship of RBS and any directorships of RBS Group companies, Guy Whittaker holds or has held in the past five years the following directorships. He has not been a partner in any partnerships during the past five years.

<u>Company</u>	<u>Status (Current/ Previous)</u>
Cambridge In America	Current
Associated Madison Companies Inc.	Previous
Citibank Overseas Investment Corporation	Previous
Citicorp Banking Corporation	Previous
Citigroup Funding Inc.	Previous
Citigroup Insurance Holding Corporation	Previous

Johnny Cameron (age 53)

Chairman, Global Markets

Appointed to the Board in March 2006, Johnny Cameron joined RBS from Dresdner Kleinwort Benson in 1998. In 2000, he was appointed Deputy Chief Executive of Corporate Banking & Financial Markets (“CBFM”) with responsibility for the integration of the NatWest and RBS Corporate Banking businesses. In October 2001, he was appointed Chief Executive CBFM, now renamed Global Markets.

In addition to his directorship of RBS and any directorships of RBS Group companies, Johnny Cameron holds or has held in the past five years the following directorships. He has not been a partner in any partnerships during the past five years.

<u>Company</u>	<u>Status (Current/ Previous)</u>
Amerindo Internet Fund plc	Previous
Amerindo Trading Limited	Previous
Murray Split Capital Trust plc	Previous

Lawrence Fish (age 63)

Chairman, RBS America and Citizens Financial Group, Inc.

Appointed to the Board in January 1993, Lawrence Fish is an American national. He is a career banker and was previously a director of the Federal Reserve Bank of Boston. He is an incorporator of the Massachusetts Institute of Technology (MIT), a trustee of The Brookings Institution, and a director of Textron Inc. and numerous community organisations in the USA. Lawrence Fish will become a Non-Executive Director with effect from 1 May 2008.

In addition to his directorship of RBS and any directorships of RBS Group companies, Lawrence Fish holds or has held in the past five years the following directorships. He has not been a partner in any partnerships during the past five years.

<u>Company</u>	<u>Status (Current/ Previous)</u>
Textron Inc.	Current
Federal Reserve Bank of Boston	Previous

Mark Fisher (age 47)

Chairman, Managing Board, ABN AMRO

Appointed to the Board in March 2006, Mark Fisher is a career banker having joined National Westminster Bank Plc in 1981. In 2000, he was appointed Chief Executive, Manufacturing with various responsibilities including the integration of RBS and NatWest systems platforms. Mark Fisher is Chief Executive Officer of ABN AMRO and was appointed Chairman of the Managing Board of ABN AMRO in November 2007.

In addition to his directorship of RBS and any directorships of RBS Group companies, Mark Fisher holds or has held in the past five years the following directorships. He has not been a partner in any partnerships during the past five years.

<u>Company</u>	<u>Status (Current/ Previous)</u>
APACS Administration Limited	Previous
Payments Council Limited	Previous

Gordon Pell (age 58)

Chairman, Regional Markets

Appointed to the Board in March 2000, Gordon Pell was formerly group director of Lloyds TSB UK Retail Banking before joining National Westminster Bank Plc as a director in February 2000 and then becoming Chief Executive, Retail Banking. He is also a director of Race for Opportunity and a member of the FSA Practitioner Panel. He was appointed chairman of the Business Commission on Racial Equality in the Workplace in July 2006 and deputy chairman of the Board of the British Bankers' Association in September 2007.

He does not hold nor has he held any directorships in the past five years other than his directorship of RBS and any directorships of RBS Group companies. He has not been a partner in any partnerships during the past five years.

Colin Buchan (age 53)

Appointed to the Board in June 2002, Colin Buchan was educated in South Africa and spent the early part of his career in South Africa and the Far East. He has considerable international investment banking experience, as well as experience in very large risk management in the equities business. He was formerly a member of the group management board of UBS AG and head of equities of UBS Warburg and was the former chairman of UBS Securities Canada Inc. He is a director of Standard Life plc, Merrill Lynch World Mining Trust Plc, Merrill Lynch Gold Limited, Royal Scottish National Orchestra Society Limited and World Mining Investment Company Limited.

In addition to his directorship of RBS and any directorships of RBS Group companies, Colin Buchan holds or has held in the past five years the following directorships and partnerships.

<u>Company/Partnership</u>	<u>Status (Current/ Previous)</u>
Applecross Property Partnership LLP	Current
Merrill Lynch World Mining Trust Plc	Current
Merrill Lynch Gold Limited	Current
Prytania Holdings LLP	Current
Royal Scottish National Orchestra Society Limited	Current
Standard Life plc	Current
Standard Life Investments Limited	Current
Standard Life Investments (Holdings) Limited	Current
The Fettes Foundation	Current
World Mining Investment Company Limited	Current
Applecross Properties (Land) Limited.	Previous
Butterstone School	Previous
UBS Securities Canada Inc.	Previous

Jim Currie (age 66)

Appointed to the Board in November 2001, Jim Currie is a highly experienced senior international civil servant who spent many years working in Brussels and Washington. He was formerly director general at the European Commission with responsibility for the EU’s environmental policy and director general for Customs and Excise and Indirect Taxation. He is also a director of Total Upstream UK Limited, The Met Office and Vimetco N.V., as well as an international adviser to Eversheds LLP.

In addition to his directorship of RBS and any directorships of RBS Group companies, Jim Currie holds or has held in the past five years the following directorships. He has not been a partner in any partnerships during the past five years.

<u>Company</u>	<u>Status (Current/ Previous)</u>
54 Queensgate Terrace Residents Association Ltd.	Current
Davaar Associates Limited	Current
Total Upstream UK Limited	Current
The Met Office	Current
Vimetco N.V.	Current
British Nuclear Fuels PLC	Previous
Sellafield Limited	Previous
Total Holdings UK Limited	Previous

Bill Friedrich (age 59)

Appointed to the Board in March 2006, Bill Friedrich is the former deputy chief executive of BG Group plc. He previously served as general counsel for British Gas plc and is a former partner of Shearman & Sterling where he practised as a general corporate lawyer working for several of the world’s leading financial institutions.

In addition to his directorship of RBS and any directorships of RBS Group companies, Bill Friedrich holds or has held in the past five years the following directorships and is a partner in the partnership set out below.

<u>Company/Partnership</u>	<u>Status (Current/ Previous)</u>
FCM Seed LLP	Current
BG Asia, Inc.	Previous
BG Egypt SA	Previous
BG Energy Holdings Limited.	Previous
BG Great Britain Limited	Previous
BG Group plc	Previous
BG Intellectual Property Limited.	Previous
BG International Limited	Previous
BG Karachaganak Limited	Previous
BG LNG Services, LLC	Previous
BG North America, LLC	Previous
BG South East Asia Limited	Previous
BG Thailand Limited	Previous
BG Trinidad and Tobago Limited	Previous
BG Tunisia Limited	Previous
Hydrocarbons Offshore Services Limited	Previous

Archie Hunter (age 64)

Appointed to the Board in September 2004, Archie Hunter is a chartered accountant. He was Scottish senior partner of KPMG between 1992 and 1999 and president of The Institute of Chartered Accountants of Scotland in 1997/1998. He has extensive professional experience in the United Kingdom and North and South America. He is currently chairman of Macfarlane Group plc, a director of Edinburgh US Tracker Trust plc and a governor of the Beatson Institute for Cancer Research.

In addition to his directorship of RBS and any directorships of RBS Group companies, Archie Hunter holds or has held in the past five years the following directorships. He has not been a partner in any partnerships during the past five years.

<u>Company</u>	<u>Status (Current/ Previous)</u>
Beatson Institute for Cancer Research.	Current
Edinburgh US Tracker Trust plc	Current
Le Chardon D’Or Limited	Current
Macfarlane Group plc	Current
The Scottish Cancer Foundation	Current

Charles “Bud” Koch (age 61)

Appointed to the Board in September 2004, Bud Koch is an American national. He has extensive professional experience in the USA and is the immediate past chairman of the board of John Carroll University and a trustee of Case Western Reserve University. He was chairman, president and chief executive officer of Charter One Financial, Inc. and its wholly-owned subsidiary, Charter One Bank, N.A., between 1973 and 2004. He is also a director of Assurant, Inc. and a public interest director of the Federal Home Loan Bank of Cincinnati.

In addition to his directorship of RBS and any directorships of RBS Group companies, Bud Koch holds or has held in the past five years the following directorships. He has not been a partner in any partnerships during the past five years.

<u>Company</u>	<u>Status (Current/ Previous)</u>
Assurant, Inc.	Current
John Carroll University	Current
Federal Home Loan Bank of Cincinnati	Current
Financial Services Roundtable	Previous

Janis Kong (age 57)

Appointed to the Board in January 2006, Janis Kong is currently a non-executive director of Kingfisher plc and Portmeirion Group public limited company. She is also chairman of The Forum for the Future and a member of the board of Visit Britain. She was previously executive chairman of Heathrow Airport Limited, chairman of Heathrow Express Limited and a director of BAA plc.

In addition to her directorship of RBS and any directorships of RBS Group companies, Janis Kong holds or has held in the past five years the following directorships. She has not been a partner in any partnerships during the past five years.

<u>Company</u>	<u>Status (Current/ Previous)</u>
Kingfisher plc	Current
Portmeirion Group Public Limited Company	Current
Forum for the Future	Current
BAA plc	Previous
Heathrow Airport Limited	Previous
Heathrow Express Operating Company Limited	Previous
London Airports 1993 Limited	Previous
London Airports Limited	Previous

Joe MacHale (age 56)

Appointed to the Board in September 2004, Joe MacHale is currently the senior independent director and chairman of the audit committee of Morgan Crucible Company plc, a non-executive director and chairman of the remuneration committee of Brit Insurance Holdings PLC and a trustee of Macmillan Cancer Support. He held a number of senior executive positions with JPMorgan between 1979 and 2001 and was latterly chief executive of JPMorgan Europe, Middle East and Africa Region.

In addition to his directorship of RBS and any directorships of RBS Group companies, Joe MacHale holds or has held in the past five years the following directorships and partnerships.

<u>Company/Partnership</u>	<u>Status (Current/ Previous)</u>
Brit Insurance Holdings PLC	Current
Macmillan Cancer Support	Current
Morgan Crucible Company plc	Current
Prytania Holdings LLP	Current
Galahad Finance Limited	Previous

Sir Steve Robson (age 64)

Appointed to the Board in July 2001, Sir Steve is a former senior UK civil servant, who had responsibility for a wide variety of Treasury matters. His early career included the post of private secretary to the Chancellor of the Exchequer and secondment to ICFC (now 3i). He was also a second permanent secretary of HM Treasury, where he was managing director of the Finance and Regulation Directorate. He is a non-executive director of JPMorgan Cazenove Holdings,

Xstrata plc, The Financial Reporting Council Limited and Partnerships UK plc, and a member of the Chairman's Advisory Committee of KPMG.

In addition to his directorship of RBS and any directorships of RBS Group companies, Sir Steve Robson holds or has held in the past five years the following directorships. He has not been a partner in any partnerships during the past five years.

<u>Company</u>	<u>Status (Current/ Previous)</u>
JPMorgan Cazenove Holdings	Current
Partnerships UK plc	Current
Xstrata plc	Current
The Financial Reporting Council Limited	Current

Bob Scott (age 66)

Appointed to the Board in January 2001, Bob Scott is an Australian national. He is the senior independent Director. He has many years' experience in the international insurance business and played a leading role in the consolidation of the UK insurance industry. He is a former group chief executive of CGNU plc (now Aviva plc) and former chairman of the board of the Association of British Insurers. He is chairman of Yell Group plc and a non-executive director of Swiss Reinsurance Company and Jardine Lloyd Thompson Group plc. He is also a trustee of the Crimestoppers Trust, an adviser to Duke Street Capital Private Equity and a board member of Pension Insurance Corporation Holdings LLP.

In addition to his directorship of RBS and any directorships of RBS Group companies, Bob Scott holds or has held in the past five years the following directorships. Since 3 January 2006, Bob Scott has also been a partner of Pension Corporation LLP.

<u>Company</u>	<u>Status (Current/ Previous)</u>
Crimestoppers Trust	Current
Jardine Lloyd Thompson Group plc	Current
Pension Insurance Corporation Limited	Current
Swiss Reinsurance Company	Current
Yell Group plc	Current
Focus DIY Group Limited	Previous
Focus No. 1 Limited	Previous
Wise S C	Previous

Peter Sutherland (age 62)

Appointed to the Board in January 2001, Peter Sutherland is an Irish national. He is a former attorney general of Ireland and from 1985 to 1989 was the European Commissioner responsible for competition policy. He is chairman of BP p.l.c. and Goldman Sachs International. He was formerly chairman of Allied Irish Banks and director general of GATT and its successor, the World Trade Organisation.

In addition to his directorship of RBS and any directorships of RBS Group companies, Peter Sutherland holds or has held in the past five years the following directorships. He has not been a partner in any partnerships during the past five years.

<u>Company</u>	<u>Status (Current/ Previous)</u>
BP p.l.c.	Current
Goldman Sachs International	Current
L.O.W. Limited	Current
European Movement Ireland	Previous
Investor AB	Previous
Telefonaktiebolaget LM Ericsson (LME)	Previous

7 Directors' interests

Save as set out in paragraphs 7.1 and 7.2 below, no Director has any interests (beneficial or non-beneficial) in the share capital of the Company or any of its subsidiaries.

7.1 Directors' shareholdings

As at 28 April 2008 (being the latest practicable date prior to the publication of this document), the interests (all of which are beneficial unless otherwise stated) of the Directors (as well as their immediate families) in the share capital of RBS or (so far as is known or could with reasonable due diligence be ascertained by the relevant Director) interests of a person connected (within the meaning of Section 346 of the Companies Act) with a Director and the existence of which was known to or could, with reasonable diligence, be ascertained by the Directors as at 28 April 2008 together with such interests as are expected to be held immediately following completion of the Rights Issue are as follows:

Executive Directors

	As at 28 April 2008		Immediately following completion of the Rights Issue ⁽²⁾	
	Number of Existing Shares	Percentage of issued share capital	Number of New and Existing Shares	Percentage of issued share capital
Sir Fred Goodwin	694,631	0.007	1,119,127	0.007
Mr Cameron	17,377	—	27,996	—
Mr Fish	195,176	0.002	314,450	0.002
Mr Fisher	21,478	—	34,603	—
Mr Pell	155,394	0.002	250,356	0.002
Mr Whittaker	332,070	0.003	535,001	0.003

Chairman

	As at 28 April 2008		Immediately following completion of the Rights Issue ⁽²⁾	
	Number of Existing Shares	Percentage of issued share capital	Number of New and Existing Shares	Percentage of issued share capital
Sir Tom McKillop	208,000	0.002	335,111	0.002

Non-Executive Directors

	As at 28 April 2008		Immediately following completion of the Rights Issue ⁽²⁾	
	Number of Existing Shares	Percentage of issued share capital	Number of New and Existing Shares	Percentage of issued share capital
Mr Buchan	40,000	—	64,444	—
Dr Currie	2,668	—	4,298	—
Mr Friedrich	110,475	0.001	177,987	0.001
Mr Hunter	10,500	—	16,916	—
Mr Koch	90,000	0.001	144,999	0.001
Mrs Kong	26,000	—	41,888	—
Mr MacHale	72,200	0.001	116,322	0.001
Sir Steve Robson	—	—	—	—
Mr Scott	23,344	—	37,609	—
Mr Sutherland	17,643	—	28,424	—

Preference shares

Mr Fish held 20,000 non-cumulative preference shares of US\$0.01 each at 28 April 2008 and Mr Koch held 20,000 non-cumulative preference shares of US\$0.01 each at 28 April 2008. No other Director had an interest in the preference shares during the year.

Notes:

- (1) Details of the options and awards over Shares held by the Directors are set out in paragraph 7.2 below. They are not included in the interests of the Directors shown in the table above.
- (2) Assuming that no share options are exercised or awards vest between the date of this document and Admission and that the Directors take up their full entitlements under the Rights Issue. Some of the Existing Shares held include interests under the Employee Share Ownership Plan under which it may not be possible for Directors to take up their rights in full.

7.2 Directors' options and awards

As at 28 April 2008 (being the latest practicable date prior to the publication of this document), the Directors held options and awards to subscribe for Shares, or were allocated Shares under the RBS Employee Share Plans which may be satisfied by a subscription for Shares, as follows:

<u>Name</u>	<u>Share plan</u>	<u>Date of grant</u>	<u>Number of Shares</u>	<u>Option price</u> (£)	<u>Market price at date of award</u> (£)	<u>Vested/Unvested</u>	<u>Exercise period</u>	
Sir Fred Goodwin . .	Executive Share Option Scheme	04-Mar-99	8,889	3.726667	—	Vested	04.03.02-03.03.09	
	Executive Share Option Scheme	03-Jun-99	81,918	3.990000	—	Vested	03.06.02-02.06.09	
	Executive Share Option Scheme	29-Mar-00	460,944	2.603333	—	Vested	29.03.03-28.03.10	
	Executive Share Option Scheme	14-Aug-01	131,100	5.726667	—	Vested	14.08.04-13.08.11	
	Executive Share Option Scheme	14-Mar-02	123,900	6.060000	—	Vested	14.03.05-13.03.12	
	Executive Share Option Scheme	13-Mar-03	218,400	4.123333	—	Vested	13.03.06-12.03.13	
	Executive Share Option Scheme	11-Mar-04	432,525	5.780000	—	Vested	11.03.07-10.03.14	
	Executive Share Option Scheme	10-Mar-05	477,153	5.763333	—	Vested	10.03.08-09.03.15	
	Executive Share Option Scheme	09-Mar-06	485,961	6.173333	—	Unvested	09.03.09-08.03.16	
	Executive Share Option Plan	16-Aug-07	695,188	5.610000	—	Unvested	16.08.10-15.08.17	
	Executive Share Option Plan	06-Mar-08	1,263,381	3.550000	—	Unvested	06.03.11-05.03.18	
	Sharesave Scheme	02-Sep-05	3,801	4.346667	—	Unvested	01.10.10-31.03.11 ⁽¹⁾	
	Overall Total			4,383,160				

<u>Name</u>	<u>Share plan</u>	<u>Date of grant</u>	<u>Number of Shares</u>	<u>Option price</u> (£)	<u>Market price at date of award</u> (£)	<u>Vested/Unvested</u>	<u>Exercise period</u>
Mr Cameron	Executive Share Option Scheme	04-Mar-99	57,582	3.726667	—	Vested	04.03.02-03.03.09
	Executive Share Option Scheme	29-Mar-00	115,233	2.603333	—	Vested	29.03.03-28.03.10
	Executive Share Option Scheme	14-Aug-01	78,600	5.726667	—	Vested	14.08.04-13.08.11
	Executive Share Option Scheme	14-Mar-02	95,400	6.060000	—	Vested	14.03.05-13.03.12
	Executive Share Option Scheme	13-Mar-03	157,800	4.123333	—	Vested	13.03.06-12.03.13
	Executive Share Option Scheme	11-Mar-04	151,383	5.780000	—	Vested	11.03.07-10.03.14
	Executive Share Option Scheme	10-Mar-05	242,916	5.763333	—	Vested	10.03.08-09.03.15
	Executive Share Option Scheme	09-Mar-06	255,129	6.173333	—	Unvested	09.03.09-08.03.16
	Executive Share Option Plan	16-Aug-07	374,332	5.610000	—	Unvested	16.08.10-15.08.17
	Executive Share Option Plan	06-Mar-08	709,860	3.550000	—	Unvested	06.03.11-05.03.18
	Medium-term Performance Plan	17-Jun-01	167,472	Nil	5.450000	Vested	(2)
	Medium-term Performance Plan	11-Apr-02	66,234	Nil	6.196667	Vested	(2)
	Medium-term Performance Plan	04-Apr-08	338,029	Nil	3.550000	Unvested	31.12.10 ⁽²⁾
	Overall Total		2,809,970				

<u>Name</u>	<u>Share plan</u>	<u>Date of grant</u>	<u>Number of Shares</u>	<u>Option price</u> (£)	<u>Market price at date of award</u> (£)	<u>Vested/Unvested</u>	<u>Exercise period</u>
Mr Fish	Executive Share Option Scheme	10-Mar-05	112,809	5.763333	—	Vested	10.03.08-09.03.15
	Executive Share Option Scheme	09-Mar-06	333,387	6.173333	—	Unvested	09.03.09-08.03.16
	Executive Share Option Plan	16-Aug-07	523,640	5.610000	—	Unvested	16.08.10-15.08.17
	Overall Total		969,836				

Name	Share plan	Date of grant	Number of Shares	Option price (£)	Market price at date of award (£)	Vested/Unvested	Exercise period	
Mr Fisher	Executive Share Option Scheme	01-Apr-99	42,843	3.080000	—	Vested	01.04.02-31.03.09	
	Executive Share Option Scheme	29-Mar-00	99,873	2.603333	—	Vested	29.03.03-28.03.10	
	Executive Share Option Scheme	14-Aug-01	65,400	5.726667	—	Vested	14.08.04-13.08.11	
	Executive Share Option Scheme	14-Mar-02	68,100	6.060000	—	Vested	14.03.05-13.03.12	
	Executive Share Option Scheme	13-Mar-03	121,500	4.123333	—	Vested	13.03.06-12.03.13	
	Executive Share Option Scheme	11-Mar-04	118,944	5.780000	—	Vested	11.03.07-10.03.14	
	Executive Share Option Scheme	10-Mar-05	182,187	5.763333	—	Vested	10.03.08-09.03.15	
	Executive Share Option Scheme	09-Mar-06	184,260	6.173333	—	Unvested	09.03.09-08.03.16	
	Executive Share Option Plan	16-Aug-07	262,033	5.610000	—	Unvested	16.08.10-15.08.17	
	Executive Share Option Plan	06-Mar-08	496,902	3.550000	—	Unvested	06.03.11-05.03.18	
	Sharesave Scheme	02-Sep-05	435	4.346667	—	Unvested	01.10.08-31.03.09 ⁽¹⁾	
	Sharesave Plan	03-Sep-07	1,611	4.690000	—	Unvested	01.10.10-31.03.11 ⁽¹⁾	
	Overall Total			1,644,088				

Name	Share plan	Date of grant	Number of Shares	Option price (£)	Market price at date of award (£)	Vested/Unvested	Exercise period	
Mr Pell	Executive Share Option Scheme	14-Aug-01	87,300	5.726667	—	Vested	14.08.04-13.08.11	
	Executive Share Option Scheme	14-Mar-02	82,800	6.060000	—	Vested	14.03.05-13.03.12	
	Executive Share Option Scheme	13-Mar-03	149,400	4.123333	—	Vested	13.03.06-12.03.13	
	Executive Share Option Scheme	11-Mar-04	141,651	5.780000	—	Vested	11.03.07-10.03.14	
	Executive Share Option Scheme	10-Mar-05	151,821	5.763333	—	Vested	10.03.08-09.03.15	
	Executive Share Option Scheme	09-Mar-06	187,095	6.173333	—	Unvested	09.03.09-08.03.16	
	Executive Share Option Plan	16-Aug-07	259,894	5.610000	—	Unvested	16.08.10-15.08.17	
	Executive Share Option Plan	06-Mar-08	536,654	3.550000	—	Unvested	06.03.11-05.03.18	
	Overall Total			1,596,615				

Name	Share plan	Date of grant	Number of Shares	Option price (£)	Market price at date of award (£)	Vested/Unvested	Exercise period
Mr Whittaker	Executive Share Option Scheme	09-Mar-06	170,085	6.173333	—	Unvested	09.03.09-08.03.16
	Executive Share Option Plan	16-Aug-07	280,749	5.610000	—	Unvested	16.08.10-15.08.17
	Executive Share Option Plan	06-Mar-08	488,029	3.550000	—	Unvested	06.03.11-05.03.18 ⁽³⁾
	Medium-term Performance Plan	04-Apr-08	232,395	Nil	3.550000	Unvested	
	Restricted Stock Award	28-Feb-06	75,966	—	6.460000	Unvested	01.02.09
	Restricted Stock Award	28-Feb-06	37,263	—	6.460000	Unvested	01.02.10
	Sharesave Scheme	01-Sep-06	3,705	4.613333	—	Unvested	01.10.13-31.03.14 ⁽¹⁾
	Overall Total			1,288,192			

Notes:

- (1) Options held under the Sharesave Scheme are not subject to performance conditions.
- (2) Option-based awards under the Medium-term Performance Plan that have vested are exercisable up to 10 years from the date of grant.
- (3) Contingent awards under the Medium-term Performance Plan will vest at the end of the performance period.

No RBS Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Company and which was effected by any member of the RBS Group in the current or immediately preceding financial year or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.

There are no guarantees provided by any member of the RBS Group for the benefit of the Directors.

7.3 Within the period of five years preceding the date of this document, none of the Directors:

- 7.3.1 has any convictions in relation to fraudulent offences;
- 7.3.2 has been a director or senior manager (who is relevant to establishing that a company has the appropriate expertise and experience for the management of that company) of any company at the time of any bankruptcy, receivership or liquidation of such company; or
- 7.3.3 has received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

7.4 Save as disclosed above, none of the Directors has any potential conflicts of interests between their duties to the Company and their private interests or other duties.

8 Remuneration details, Directors' service contracts and letters of appointment

8.1 Remuneration of Directors

8.1.1 In the financial year ended 31 December 2007, the aggregate total remuneration paid (including contingent or deferred compensation) and benefits in kind granted (under any description whatsoever) to the Directors by members of the Group was £20,885,000 as set out on page 211 of the Annual Report and Accounts for 2007.

Under the terms of their service contracts and applicable incentive plans, in the year ending 31 December 2007, the Executive Directors were entitled to the remuneration and benefits set out below:

	<u>Salary/ fees</u>	<u>Performance bonus⁽¹⁾</u>	<u>Pension allowance</u>	<u>Benefits</u>	<u>2007 Total</u>
	(£000)	(£000)	(£000)	(£000)	(£000)
Chairman					
Sir Tom McKillop	750	—	—	—	750
Executive Directors					
Sir Fred Goodwin	1,290	2,860	—	40	4,190
Mr Cameron	988	1,900	341	27	3,256
Mr Fish ⁽²⁾	999	200	—	54	1,253
Mr Fisher ⁽³⁾	726	1,428	178	26	2,358
Mr Pell	825	1,377	—	2	2,204
Mr Whittaker	760	1,425	262	3	2,450

Notes:

- (1) Includes 10 per cent. profit sharing.
- (2) Mr Fish is a non-executive director of Textron Inc. and retains the fees paid to him in this respect. For 2007, he received a remuneration package from Textron Inc. equivalent to approximately US\$87,565.
- (3) On his appointment as Chairman of the Managing Board of ABN AMRO on 1 November 2007, Mr Fisher transferred to the Netherlands. In line with the Group's international assignment policy, he was eligible for assistance in moving his home and family to the Netherlands and for ongoing tax equalisation, cost of living, housing and other secondment benefits, the value of which is £15,419 and is included under benefits above.

	<u>Board fees</u>	<u>Board committee fees</u>	<u>Total 2007</u>
	(£000)	(£000)	(£000)
Non-Executive Directors			
Mr Buchan	70	52	122
Dr Currie	70	15	85
Mr Friedrich	70	30	100
Mr Hunter	70	92	162
Mr Koch ⁽¹⁾	70	—	70
Mrs Kong	70	15	85
Mr MacHale	70	30	100
Sir Steve Robson	70	30	100
Mr Scott ⁽²⁾	—	—	160
Mr Sutherland	70	27	97

Notes:

- (1) In addition to his role as Non-Executive Director, Mr Koch has an agreement with Citizens Financial Group, Inc. to provide consulting services for a period of three years, which ended on 1 September 2007, following the acquisition by Citizens of Charter One Financial, Inc. For these services, Mr Koch received US\$268,333 in 2007.
- (2) Mr Scott's senior independent director fee covers all Board and Board Committee work, including Chairmanship of the remuneration committee.

No Director received any expense allowances chargeable to UK income tax or compensation for loss of office/termination payment. The Non-Executive Directors did not receive any bonus payments or benefits.

8.1.2 In the financial year ended 31 December 2007, the total amount set aside or accrued by the Group to provide pension, retirement or other benefits to the Directors not including amounts set out in the table above is £3,751,000 plus US\$6,301,000 in respect of Lawrence Fish.

8.2 UK-based Directors

Benefits

Executive Directors are eligible to receive a choice of employee benefits or a cash equivalent on a similar basis to other employees.

Short-term annual incentives

UK-based Executive Directors normally have a maximum annual incentive potential of between 160 per cent. and 200 per cent. of salary. For exceptional performance, as measured by the achievement of significant objectives, Executive Directors may be awarded incentive payments of up to 200 per cent. of salary, or 250 per cent. of salary in the case of the Group Chief Executive, the Chairman, Global Markets and the Chairman, Regional Markets. Awards will normally be based on the delivery of a combination of appropriate Group and individual financial and operational targets approved each year by the remuneration committee.

For the Group Chief Executive, the annual incentive is primarily based on specific Group financial performance measures such as operating profit, earnings per share growth and return on equity. The remainder of the Group Chief Executive's annual incentive is based on a range of non-financial measures which may include measures relating to shareholders, customers and staff.

For the other Executive Directors, a proportion of the annual incentive is based on Group financial performance and a proportion on division financial performance. The remainder of each individual's annual incentive opportunity is dependent on achievement of a range of non-financial measures, specific objectives and key result areas. Divisional performance includes measures such as operating income, costs, loan impairments or operating profit. Non-financial measures include customer measures (e.g. customer numbers, customer satisfaction), staff measures (e.g. employee engagement) and efficiency and change objectives.

In respect of 2007, the remuneration committee reviewed the annual incentive payments for all Executive Directors taking into account performance against targets set at the beginning of the year and covering Group financial performance, each Director's operational targets and, where appropriate, divisional financial targets. For all Directors, operational targets included specified strategic developments and improvement in customer and employee satisfaction scores.

Group operating profit targets were met in full, notwithstanding the impact of challenging credit market conditions in the second half of the year, and customer and employee satisfaction scores showed improvement in line with or above expectations. Financial performance in most divisions exceeded target. As a result, the remuneration committee proposed and the Board (excluding Executive Directors) agreed annual incentive payments of up to 112.5 per cent. of normal maximum levels. Levels of incentive payments to Executive Directors covered a wide range, reflecting variations in divisional performance.

Long-term incentives

RBS provides long-term incentives in the form of share options and share or share equivalent awards. Their objective is to encourage the creation of value over the long term and to align the rewards of the Executive Directors with the returns to shareholders. Details of these long-term incentive plans are shown from page 109 of this document.

Medium-term Performance Plan

The Medium-term Performance Plan was approved by Shareholders in April 2001. Each Executive Director is eligible for an annual award in the form of share or share equivalent awards. Whilst the rules of the plan allow awards over shares worth up to one and a half times earnings, the remuneration committee has adopted a policy of granting awards based on a multiple of salary. Normally awards are made at one times salary to Executive Directors, with one and a half times salary being granted in the case of the Group Chief Executive. No changes will be made to this policy without prior consultation with Shareholders. All awards under the plan are subject to three-year performance targets.

Awards made in 2007 and 2008 are subject to two performance measures: 50 per cent. of the award vests on a relative Total Shareholder Return (“TSR”) measure and 50 per cent. vests on growth in adjusted earnings per share (“EPS”) over the three-year performance period.

For the TSR element, vesting is based on the level of outperformance by the Group of the median of the comparator group TSR over the performance period. Awards made under the plan will not vest if the company’s TSR is below the median of the comparator group. Achievement of median TSR performance against comparator companies will result in vesting of 25 per cent. of the award. Outperformance of median TSR performance by up to 9 per cent. will result in vesting on a straight-line basis from 25 per cent. to 125 per cent., outperformance by 9 per cent. to 18 per cent. will result in vesting on a straight-line basis from 125 per cent. to 200 per cent. Vesting at 200 per cent. will occur if the Company outperforms the median TSR performance of the comparator group by at least 18 per cent. For awards made in 2007, the companies in the comparator group were ABN AMRO Holding N.V.; Banco Santander Central Hispano, S.A.; Barclays PLC; Citigroup Inc.; HBOS plc; HSBC Holdings plc; Lloyds TSB Group plc and Standard Chartered PLC. Following the acquisition of ABN AMRO by RBS, Fortis and Santander in October 2007, the remuneration committee agreed that Fortis would replace ABN AMRO in the comparator group for awards made in 2007 and 2008.

The EPS element ensures a clear line of sight for executives to improve long-term financial performance. For this element, the level of EPS growth over the three-year period will be calculated by comparing the adjusted EPS in the year prior to the year of grant with that in the final year of the performance period. Each year the vesting schedule for the EPS growth measure will be agreed by the remuneration committee at the time of grant, having regard to the business plan, performance relative to comparators and analysts’ forecasts.

For the awards made in 2007, the awards will not vest if EPS growth is below 5 per cent. per annum (compound) over the three-year period. Where EPS growth is between 5 per cent. per annum and 10 per cent. per annum vesting will occur on a straight-line basis from 25 per cent. to 100 per cent. Vesting at 100 per cent. will occur if EPS growth is at least 10 per cent. per annum (compound).

For the awards made in 2008, the relevant EPS growth figures are a threshold level of 5 per cent. per annum (compound) to a maximum level of 9 per cent. per annum (compound).

The following share or share equivalent awards were made under the Medium-term Performance Plan in 2007 and 2008:

Director	Number of share or share equivalents subject to award		Market price per Share (at date of award)		Aggregate value	
	2007	2008	2007	2008	2007	2008
			(£)	(£)	(£)	(£)
Sir Fred Goodwin	278,970	631,691	6.99	3.55	1,950,000.30	2,242,503.05
Mr Cameron	143,064	338,029	6.99	3.55	1,000,017.36	1,200,002.95
Mr Fish	85,905	—	6.99	3.55	600,475.95	—
Mr Fisher	100,146	236,620	6.99	3.55	700,020.54	840,001.00
Mr Pell	115,881	255,550	6.99	3.55	810,008.19	907,202.50
Mr Whittaker	107,298	232,395	6.99	3.55	750,013.02	825,002.25

Entitlements in respect of awards under the Medium-term Performance Plan prior to 2007, but not exercised in that year, have not been included in this table and are disclosed on page 112 in the Annual Report and Accounts for 2007.

Options

A new executive share option plan was approved at the Company’s annual general meeting in 2007. Grants to Executive Directors can be made over shares worth up to 300 per cent. of salary with an EPS performance condition. The performance condition is based on the average annual growth in the Group’s adjusted EPS over the three-year performance period commencing with the year of grant. The calibration of the EPS growth measure will be agreed by the remuneration committee at the time of each grant having regard to the business plan, prevailing economic

conditions and analysts' forecasts. In respect of the grant to Executive Directors in 2007, options will only be exercisable if, over the three-year period, the growth in the Company's adjusted EPS has been at least 6 per cent. per annum ("the threshold level"). The percentage of options that vest is then determined on a straight-line basis between 30 per cent. at the threshold level and 100 per cent. at the maximum level for growth in adjusted EPS of 12 per cent. per annum. In respect of the grant to Executive Directors in 2008, the relevant EPS growth figures are at a threshold level of 5 per cent. per annum to a maximum level of 9 per cent. per annum.

8.3 US-based Director – Lawrence Fish

Mr Fish was previously Chairman and Chief Executive Officer of Citizens Financial Group, Inc. From 23 March 2007, he was appointed Chairman, RBS America and Citizens. With effect from 1 January 2008, he has undertaken that role in a non-executive capacity and is being paid a fixed fee of US\$600,000 per annum (inclusive of fees as a Non-Executive Director of the Company with effect from 1 May 2008).

He will not participate in any annual bonus plan nor will he be eligible for further grants under any long-term incentive plans. Existing long-term incentive awards will vest to him, subject to achievement of all relevant service and performance conditions, at the completion of the appropriate performance period.

Accrual of pension entitlement will cease at 30 April 2008. He will participate in the Citizens medical insurance plan to this date, after which he is eligible to join the Citizens retiree medical plan.

8.4 Benefits on termination

Except as noted below, in the event of severance of contract where any contractual notice period is not worked, the employing company may pay a sum to the Executive Director in lieu of this period of notice. Any such payment would, at maximum, comprise base salary and a cash value in respect of fixed benefits (including pension plan contributions). In the event of situations involving breach of the employing company's policies resulting in dismissal, reduced or no payments may be made to the Executive Director. Depending on the circumstances of the termination of employment, the Executive Director may be entitled, or the remuneration committee may exercise its discretion to allow, the Executive Director to exercise outstanding awards under long-term incentive arrangements subject to the rules of the relevant plan. All UK-based Directors, with the exception of Guy Whittaker, are members of The RBS Group Pension Fund (the "RBS Fund") and are contractually entitled to receive all pension benefits in accordance with its terms. The RBS Fund rules allow all members who retire early at the request of their employer to receive a pension based on accrued service with no discount applied for early retirement.

The remuneration committee has reviewed this provision of the RBS Fund, which applies equally to Executive Directors and other employees. The remuneration committee concluded that a change to the terms of the RBS Fund in respect of early retirement at the Company's request would not be a cost-effective route to take at this time. The RBS Fund is closed to employees, including Executive Directors, joining the Group after 30 September 2006.

8.5 Aggregate emoluments

The aggregate of the emoluments for the Directors for the financial year ended 31 December 2007 was approximately £27,569,660. In addition to the total remuneration, the aggregate emoluments figure includes cash-based awards granted under the Medium-term Performance Plan and an award granted to Mr Fish under the Citizens Long Term Incentive Plan in 2007 valued at approximately £874,125, based on a target value of 87.5 per cent. of salary. These awards are unvested and payment (if any) is therefore subject to the satisfaction of performance conditions. The aggregate emoluments figure also includes any sum received in 2007 by a Director on the exercise in that year of a phantom option granted under the Medium-term Performance Plan, or an award which has vested under the Citizens Long Term Incentive Plan. Entitlements in respect of awards granted prior to 2007, but not exercised in that year, have not been included and are disclosed on pages 112 and 113 of the Annual Report and Accounts for 2007.

For information on the total amount set aside by the Group to provide pensions, retirement or similar benefits in respect of the Directors in the financial year ended 31 December 2007, please see page 114 in the Annual Report and Accounts for 2007.

Directors' service contracts and letters of appointment

Details of the Executive Directors' notice periods under their service contracts are set out below:

<u>Name</u>	<u>Date of current contract/employing company</u>	<u>Notice period – from company</u>	<u>Notice period – from executive</u>
Sir Fred Goodwin	1 August 1998 RBS plc	12 months	6 months
Mr Cameron	29 March 1998 RBS plc	12 months	6 months
Mr Fisher	27 February 2007 RBS plc	12 months	12 months
Mr Pell	20 February 2006 RBS plc	12 months	6 months
Mr Whittaker	19 December 2005 RBS plc	12 months	12 months

Note:

- (1) With effect from 1 May 2008, Mr Fish will become a Non-Executive Director of the Company. In line with other Non-Executive Directors, his appointment will be covered by a letter of engagement. The appointment will be for an initial term expiring on 9 October 2009 and is terminable by either party upon written notice.

The Non-Executive Directors do not have service contracts or notice periods, although they each have letters of engagement reflecting their responsibilities and commitments. Under the Articles of Association, all Directors must retire by rotation and seek re-election by Shareholders at least every three years. The dates in the table below reflect the latest date for re-election. No compensation would be paid to the Chairman or to any Non-Executive Director in the event of early termination.

The original date of appointment as a Director of the Company and the latest date for the next re-election are as follows:

	<u>Date first appointed</u>	<u>Latest date for next re-election</u>
Sir Tom McKillop	1 September 2005	2011
Mr Buchan	1 June 2002	2011
Dr Currie	28 November 2001	2011
Mr Friedrich	1 March 2006	2009
Mr Hunter	1 September 2004	2010
Mr Koch	29 September 2004	2010
Mrs Kong	1 January 2006	2011
Mr MacHale	1 September 2004	2010
Sir Steve Robson	25 July 2001	2011
Mr Scott	31 January 2001	2009
Mr Sutherland	31 January 2001	2009

9 Board practices

The Combined Code recommends that at least half the members of the board of directors (excluding the chairman) of a public limited company incorporated in the United Kingdom should be independent in character and judgement and free from relationships or circumstances which are likely to affect, or could appear to affect, their judgement.

As at the date of this document, RBS is in full compliance with the provisions of the Combined Code except in relation to authority reserved to the Board to make the final determination of the remuneration of the Executive Directors.

Currently, the Board is composed of 17 members, consisting of the Chairman, six Executive Directors and ten Non-Executive Directors, nine of whom are independent. With effect from 1 May 2008, and the change in role of Larry Fish to Non-Executive Director of the Company, the Board will comprise the Chairman, five Executive Directors and 11 Non-Executive Directors.

The roles of the Chairman and Group Chief Executive are distinct and separate, with a clear division of responsibilities. The Chairman leads the Board and ensures the effective engagement and contribution of all Non-Executive and Executive Directors. The Group Chief Executive has responsibility for all RBS Group businesses and acts in accordance with the authority delegated by the Board. Responsibility for the development of policy and strategy and operational management is delegated to the Group Chief Executive and other Executive Directors.

The Board has established nominations, remuneration and audit committees, with formally delegated duties and responsibilities with written terms of references. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises.

Nominations committee

Current members

Sir Tom McKillop (Chairman), Archie Hunter, Bob Scott and Peter Sutherland.

The nominations committee comprises independent Non-Executive Directors, under the chairmanship of the Chairman of the Board. The nominations committee meets as required.

The nominations committee is responsible for assisting the Board in the formal selection and appointment of directors. It considers potential candidates and recommends appointments of new Directors to the Board. The appointments are based on merit and against objective criteria, including the time available to, and the commitment which will be required of, the potential director.

In addition, the nominations committee considers succession planning for the Chairman, Group Chief Executive and Non-Executive Directors. The nominations committee takes into account the knowledge, mix of skills, experience and networks of contacts which are anticipated to be needed on the Board in the future. The Chairman, Group Chief Executive and Non-Executive Directors meet to consider executive succession planning. No Director is involved in decisions regarding his or her own succession.

Remuneration committee

Current members

Sir Tom McKillop, Colin Buchan, Jim Currie, Janis Kong, Bob Scott (Chairman) and Peter Sutherland.

The members of the remuneration committee comprise independent Non-Executive Directors together with the Chairman of the Board. In June 2006, the FRC issued a revised Combined Code which applies to reporting years beginning on or after 1 November 2006. The Company has adopted provision B.2.1 of the Combined Code early and appointed the Chairman of the Board as a member of the remuneration committee as the Company considers him to have been independent on appointment as Chairman. In that regard, the provisions of the Code have not been complied with. The remuneration committee holds at least three meetings each year.

The remuneration committee is responsible for assisting the Board in discharging its responsibilities and making all relevant disclosures in relation to the formulation and review of the Group's executive remuneration policy. The remuneration committee makes recommendations to the Board on the remuneration arrangements for the Executive Directors and the Chairman.

Responsibility for determining the remuneration of the Executive Directors has not been delegated to the remuneration committee, and in that sense the provisions of the Combined Code have not been complied with. The Board as a whole reserves the authority to make the final determination of the remuneration of Directors as it considers that this two-stage process allows greater consideration and evaluation and is consistent with the unitary nature of the Board. No Director is involved in discussion regarding his or her remuneration.

Audit committee

Current members

Colin Buchan, Bill Friedrich, Archie Hunter (Chairman), Joe MacHale and Sir Steve Robson.

All members of the audit committee are independent Non-Executive Directors. The audit committee holds at least five meetings each year, two of which are held immediately prior to submission of the interim and annual financial statements to the Board. This core programme is supplemented by additional meetings as required. Audit committee meetings are attended by relevant Executive Directors, the internal and external auditors and finance and risk management executives. At least twice per annum, the audit committee meets privately with the external auditors. The audit committee also visits RBS Group business divisions and selected group functions under a programme set out at the beginning of each year. The audit committee held a total of ten meetings in 2007 and has held five meetings so far in 2008.

The audit committee is responsible for:

- assisting the Board in discharging its responsibilities and in making all relevant disclosures in relation to the financial affairs of the RBS Group;
- reviewing accounting and financial reporting and regulatory compliance;
- reviewing the RBS Group's system of internal control; and
- monitoring the RBS Group's processes for internal audit, risk management and external audit.

10 Significant shareholdings

10.1 As at 28 April 2008 the Company had been notified of or was otherwise aware of the following Shareholders who were directly or indirectly interested in 3 per cent. or more of the issued Ordinary Shares:

	<u>As at 28 April 2008</u>	
	<u>Ordinary Shares</u>	<u>Percentage of issued share capital</u>
Legal & General Group plc	504,686,799	5.04%

10.2 Save as disclosed in this paragraph 10, RBS is not aware of any person who as at 28 April 2008 (being the latest practicable date prior to the publication of this document), directly or indirectly, has a holding which exceeds the threshold of 3 per cent. or more of the total voting rights attaching to its issued share capital.

10.3 RBS is not aware of any persons who, as at 28 April 2008 (being the latest practicable date prior to the publication of this document), directly or indirectly, jointly or severally, exercise or could exercise control over RBS nor is it aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

10.4 None of the Shareholders referred to in this paragraph 10 has different voting rights from any other holder of Shares in respect of any Shares held by them.

11 Subsidiaries

Members of the RBS Group

RBS is the parent company of the RBS Group. The following table contains a list of the principal subsidiaries of RBS (each of which is considered by RBS to be likely to have a significant effect on the assessment of the assets, liabilities, the financial position and/or the profits and losses of the RBS Group):

<u>Name</u>	<u>Percentage ownership interest and voting power</u>	<u>Field of activity</u>	<u>Country of incorporation</u>	<u>Registered office</u>
RBS plc	100	Banking	Scotland	36 St Andrew Square, Edinburgh EH2 2YB
National Westminster Bank Plc	100	Banking	England	135 Bishopsgate, London EC2M 3UR
Citizens Financial Group, Inc.	100	Banking	US	One Citizens Plaza, Providence, Rhode Island, 02903 USA
Coutts & Co	100	Private banking	England	440 Strand, London WC2R 0QS
Greenwich Capital Markets, Inc.	100	Broker dealer	US	600 Steamboat Road, Greenwich Connecticut, 06830 USA
RBS Insurance Group Limited	100	Insurance	England	Churchill Court, Westmoreland Road, Bromley, Kent BR1 1DP
Ulster Bank Limited	100	Banking	Northern Ireland	11-16 Donegal Square, East Belfast BT1 5UB
ABN AMRO Bank N.V. ⁽¹⁾	38	Banking	The Netherlands	Gustav Mahlerlaan 10, 1082 PP Amsterdam, Netherlands

Note:

(1) ABN AMRO Bank N.V. is a subsidiary undertaking of RBS.

12 Employees

As at 31 December 2007, RBS had approximately 233,600 employees.

	<u>As at 31 December 2007</u>	<u>As at 31 December 2006</u>	<u>As at 31 December 2005</u>
Global Banking & Markets	9,300	7,700	6,900
RFS Holdings excluding minority interest	31,100	—	—
UK Corporate Banking	9,600	8,800	8,200
Retail	41,400	42,900	43,400
Wealth Management	5,000	4,600	4,300
Ulster Bank	6,400	5,600	5,200
Citizens	23,900	24,600	26,000
RBS Insurance	18,000	18,500	20,500
Manufacturing	26,300	26,600	26,700
Centre	2,700	2,500	2,300
RFS Holdings minority interest	59,900	—	—
Total	233,600	141,800	143,500
United Kingdom	108,600	105,700	107,200
US	27,100	26,200	27,400
Europe	41,300	8,100	7,800
Rest of the World	56,600	1,800	1,100
Total	233,600	141,800	143,500

13 RBS Employee Share Plans (“Plans”)

13.1 Option Plans

The Company operates the following option plans (“Option Plans”)⁽¹⁾:

13.1.1 Sharesave Schemes

- The Royal Bank of Scotland Group plc 2007 Sharesave Plan
- The Royal Bank of Scotland Group plc 2007 Irish Sharesave Plan
- The Royal Bank of Scotland Group plc 1997 Sharesave Scheme
- First Active PLC 2001 Approved SAYE Scheme*.

13.1.2 Discretionary Option Plans

- The Royal Bank of Scotland Group plc 2007 Executive Share Option Plan
- The Royal Bank of Scotland Group plc Option 2000 Scheme
- The Royal Bank of Scotland Group plc 1999 Executive Share Option Scheme
- The Royal Bank of Scotland Group plc Executive Share Option Scheme 1986
- First Active PLC 2002 Approved Share Option Scheme*
- First Active PLC 1998 Share Option Scheme*
- The National Westminster Bank Group 1994 Executive Share Option Scheme*.

13.1.3 Terms of the Option Plans

The following terms apply to all of the Option Plans:

Time limit for option grants

Options may not be granted more than 10 years after Shareholder approval.

Overall plan limits

In any 10 calendar year period, the Company may not issue (or grant rights to issue) more than 10 per cent. of its issued ordinary share capital under the Option Plans and any other all-employee share plans adopted by the Company.

In addition, in any 10 calendar year period, the Company may not issue (or grant rights to issue) more than 5 per cent. of its issued ordinary share capital under the executive share plans adopted by the Company.

Ordinary Shares in treasury will count as new issue shares for the purposes of these limits unless the Association of British Insurers decides that they need not count.

Variation of capital

In the event of any variation in the Company’s share capital, adjustments may be made to the number of Ordinary Shares under option and the price payable on the exercise of an option as considered appropriate.

Other features of options

Options are not transferable, except on death. Options are not pensionable.

Note:

- (1) All the Option Plans marked (“**”) are legacy plans and relate to either the acquisition of NatWest or First Active PLC and have not been summarised in detail. Under the legacy plans, grants were originally made by NatWest and First Active PLC over the ordinary shares of those companies. All outstanding rights under the legacy plans are over Ordinary Shares.

Rights attaching to Ordinary Shares

Any Ordinary Shares allotted when an option is exercised will rank equally with Ordinary Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

Alterations to the Option Plans

The Board or a committee (as appropriate) may amend the Option Plans in any respect, provided that the prior approval of Shareholders is obtained for the amendment of certain provisions to the advantage of participants.

The requirement to obtain the prior approval of Shareholders will not, however, apply to any minor alteration made to benefit the administration of the Option Plans, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Group. Shareholder approval will also not be required for any amendment to any performance conditions.

Alterations to plans approved by the relevant tax authority are generally subject to the prior approval of the relevant tax authority.

13.1.4 Sharesave Schemes

The following additional terms apply to the Sharesave Schemes as well as those set out in paragraph 13.1.3:

Eligibility

Employees and full-time Directors of the Company and any designated participating subsidiary who are resident and ordinarily resident in the relevant jurisdiction for tax purposes will be eligible to participate. The Board may require employees to have completed a qualifying period of employment of up to five years (or three years in Ireland) before the grant of options. All eligible employees must be invited to participate. The Board may allow other employees to participate.

Grant of options

Options can only be granted to employees who enter into approved savings contracts, under which monthly savings are normally made over a period of three or five years. Options must be granted within 30 days (or 42 days if applications are scaled back) of the first day by reference to which the option price is set. The number of Ordinary Shares over which an option is granted will be such that the total option price payable will correspond to the proceeds on maturity of the related savings contract.

Individual participation

Monthly savings by an employee under all savings contracts linked to options granted under any Sharesave Scheme may not exceed the statutory maximum (currently £250 in the United Kingdom and €500 in Ireland). The Board can set a lower limit in relation to any particular grant.

Option price

The price per RBS Ordinary Share payable upon the exercise of an option will not be less than 80 per cent. of the average middle-market quotation of a RBS Ordinary Share on the London Stock Exchange on the three days preceding a date specified in an invitation to participate (or such other day or days as may be agreed with the relevant tax authority).

The option price will be determined by reference to dealing days which fall within the period of six weeks following the announcement by the Company of its results for any period or at any other time which the Board considers to be sufficiently exceptional to justify offering options.

Exercise of options

Options will normally be exercisable for a six-month period after the end of each savings contract. Earlier exercise is permitted in certain circumstances, otherwise options will lapse on cessation of employment or directorship with the Company's group.

The Royal Bank of Scotland Group plc 1997 Sharesave Scheme is no longer in operation; however, there are still outstanding options under it.

The First Active PLC 2001 Approved SAYE Scheme* has only a few participants with minimal outstanding awards.

13.1.5 Discretionary Option Plans

The following additional terms apply to the Discretionary Option Plans, as well as those set out in paragraph 13.1.3:

Eligibility

Any employee (including an Executive Director) of the Company and its subsidiaries will be eligible to participate.

Grant of options

The committee may grant options to acquire Ordinary Shares within six weeks following the Company's announcement of its results for any period. The committee may also grant options within six weeks of Shareholder approval of any plan or at any other time if the committee considers there are exceptional circumstances which justify the granting of options.

No payment is required for the grant of an option.

Individual participation

The committee will determine which employees may participate and the extent of their participation. The maximum value of Ordinary Shares over which options may be granted to an employee will be set at the discretion of the committee, subject to the limits specified in the rules of the particular plan.

Option price

The price per RBS Ordinary Share payable upon exercise of an option will not be less than the market value of a RBS Ordinary Share on the dealing day (or a limited period before the dealing day depending on the plan) before the date of grant (or such other dealing day(s) as the committee may decide).

Performance conditions

The committee may impose a performance condition which must be satisfied before the exercise of options.

The committee may set different or no performance conditions for participants who are not Directors or senior executives.

The committee may vary the performance conditions applying to existing options if an event has occurred which causes the committee to consider that it would be appropriate to amend the performance conditions, provided the committee considers the varied conditions are fair and reasonable and not materially less challenging.

Exercise of options

Options will normally become capable of exercise three years after grant to the extent that any performance conditions have been satisfied and provided the participant remains employed in the Group. Options will lapse on the day before the tenth anniversary of the date of grant (or six years for The Royal Bank of Scotland Group plc Option 2000 Scheme) or after such shorter period as determined by the committee at the time of grant.

Ordinary Shares will normally be allotted or transferred to participants within 30 days of exercise. Where permitted under the plan rules, the committee can decide to satisfy options which are not tax-advantaged by the payment of a cash amount.

Leaving employment and corporate events

As a general rule, an option will lapse upon a participant ceasing to hold employment or be a Director within the Group. However, if a participant ceases to be an employee or Director in the Group by reason of his death, ill-health, injury, disability, redundancy, retirement, his employing company or the business for which he works being sold out of the Company's group or in other circumstances at the discretion of the committee, then his option will become exercisable on the date of his cessation or on such later date as the committee may decide and remain exercisable for a limited period thereafter.

Similarly, in the event of a corporate event not being an internal corporate reorganisation, all options will become exercisable early for a limited time. The extent to which an option will become exercisable in these situations will depend upon two factors:

- (a) the extent to which any performance conditions have been satisfied by reference to the date of cessation; and
- (b) the pro-rating of the option to reflect the number of months (rounded up) between its grant and the time of cessation or corporate event, although the committee can decide not to pro-rate an option if it regards it as inappropriate to do so in the particular circumstances.

The Royal Bank of Scotland Group plc 1999 Executive Share Option Scheme and The Royal Bank of Scotland Group plc 1986 Executive Share Option Scheme are no longer in operation; however, there are still outstanding options under these plans.

First Active PLC 2002 Approved Share Option Scheme*, First Active PLC 1998 Share Option Scheme* and the National Westminster Bank Group 1994 Executive Share Option* have only a few participants with minimal outstanding awards.

13.2 Employee Share Ownership Plans

The Company operates the following employee share ownership plans (the "Employee Share Ownership Plans"):

13.2.1 The Royal Bank of Scotland Group plc Employee Share Ownership Plan.

Eligibility

All employees of the Company and any participating subsidiary may participate. When these plans are operated, all eligible employees must be invited to participate.

Operation

Employees may be offered free, partnership and matching shares, as the Directors decide.

Free shares

Participants can be given free Ordinary Shares ("free shares") up to a market value limited by the UK tax legislation to, currently, £3,000 a year. The Directors may make the awards of free shares subject to performance targets. Free shares must generally be held in trust for between three and five years.

UK employees may be offered the opportunity to buy Ordinary Shares ("partnership shares") by deduction from their pre-tax salary. Such partnership shares are bought at market value. Under current UK legislation, they can buy up to £1,500 in each tax year or, if less, 10 per cent. of salary.

The Directors may award additional free Ordinary Shares ("matching shares") on a matching basis to participants who buy partnership shares. Under the current legislation, up to a maximum of two matching shares can be offered for each partnership share.

Dividends

Cash dividends paid on Ordinary Shares held in the Employee Share Ownership Plans may be reinvested in further Ordinary Shares up to certain limits set out in the legislation.

Voting rights

The trustees can only vote Ordinary Shares held in the Employee Share Ownership Plans in accordance with participants' instructions.

General offers

If a general offer is made to the Shareholders of the Company, participants may direct the trustees how to act in respect of any Ordinary Shares held on their behalf.

The Royal Bank of Scotland Group plc Employee Share Ownership Plan (Buy As You Earn Plan) is no longer in operation; however, there are still outstanding awards under it.

13.2.2 Ulster Bank Group Employee Share Incentive Scheme ("ESIS")

Eligibility

Any employee of the Ulster Bank Group plc (or participating group company) is eligible to participate in the ESIS at the discretion of the Board.

Grants of awards

The Board, at its absolute discretion, can invite any eligible employee to participate in the ESIS by offering the right to take all or part of any bonus or other sum due and owing to the employee in the form of shares. These shares are purchased by a trustee and held in the trustee's name for a period of up to five years and one month. After this time the shares are transferred into the employee's name.

General

This ESIS does not have any leaver-specific provision to allow for early release of shares.

13.2.3 The Royal Bank of Scotland Group plc Irish Profit Sharing (Share Ownership) Scheme

The Royal Bank of Scotland Group Irish Profit Sharing (Share Ownership) Scheme is currently operated and allocations are made subject to Irish revenue limit.

Eligibility

Employees and Directors of the Company and participating subsidiaries at the end of the previous financial year may be allocated Ordinary Shares.

Holding periods

Shares are normally held by the trustee for a minimum period of two years after allocation. In certain circumstances, for example death, redundancy or reaching the age of 60, Ordinary Shares may be released before the expiry of the two-year period. After three years, the Ordinary Shares are transferred to employees free of income tax.

Voting rights

The trustee can only vote Ordinary Shares held in the plans in accordance with participants' instructions.

General offers

If a general offer is made to the Shareholders of the Company, participants may direct the trustee how to act in respect of any shares held on their behalf.

13.2.4 *The ABN AMRO (Ireland) Limited Share Scheme*

The ABN AMRO (Ireland) Limited Share Scheme is an Irish revenue-approved profit sharing scheme under which shares in the Company may be allocated to employees of ABN AMRO and its subsidiaries, subject to Irish revenue limits. Its terms are similar to those of the Royal Bank of Scotland Group plc Irish Profit Sharing (Share Ownership) Scheme. It is not currently intended to operate this scheme on an ongoing basis, although existing awards will continue to be held subject to the scheme rules.

13.3 **Performance Plans**

The Company operates the following Performance Plans.

- The Royal Bank of Scotland Group plc Medium-term Performance Plan (“MPP”).
- The Royal Bank of Scotland Group plc Restricted Share Plan.

13.3.1 *The MPP*

Eligibility

Any employee (including an Executive Director) of the Company and its subsidiaries (except a subsidiary which the Board has expressly designated as not a participating subsidiary) will be eligible to participate in the MPP.

Grant of options

The remuneration committee (or such other person acting with the prior consent of the Board) may grant awards to participants. Awards under the MPP may be in the form of rights to acquire Ordinary Shares by way of a nil-cost option or a contingent award or in the form of phantom shares or phantom share options. The amount of the award is determined at the discretion of the remuneration committee. The type of the award is either determined by the remuneration committee or the participant. The award is made subject to conditions based on the financial performance of the Company and its subsidiaries over a performance period.

Individual participation

The remuneration committee will determine which employees may participate and the extent of their participation. The maximum value of awards which may be granted to an employee will be set at the discretion of the remuneration committee but it is not intended that this will normally be above 150 per cent. of an employee’s base salary in any financial year. Special conditions apply if an award is made in excess of this limit.

Performance conditions

The remuneration committee will impose a performance condition on the exercise of options and vesting of awards.

The remuneration committee may vary the performance conditions applying to an award if an event has occurred which causes the remuneration committee to consider that it would be appropriate to amend the performance conditions, provided the remuneration committee reasonably considers the varied conditions are a fairer measure of performance, and not materially more difficult or less challenging than the original conditions.

Rights of exercise or vesting

Awards will not be capable of exercise or vest earlier than the expiry of the performance period (except in exceptional circumstances). Awards will only be capable of exercise or vest to the extent that any performance conditions have been satisfied and provided the participant remains employed in the Group.

Awards will lapse on the day before the tenth anniversary of the date of grant.

Ordinary Shares will be allotted or transferred to participants within 30 days of exercise of a nil-cost option or vesting of a contingent award. The grantor can decide to satisfy such nil-cost options or vested contingent awards by the payment of a cash amount.

On the exercise of a phantom option or vesting of a phantom share award, a cash payment equal to the market value of each phantom share will be made to the participants within 30 days of such exercise or vesting.

Leaving employment

As a general rule, an award is not capable of exercise, or will not vest if a participant ceases to hold employment or be a Director within the Group. However, if a participant ceases to be an employee or Director in the Group by reason of his death, ill-health, injury, disability, redundancy, retirement, his employing company or the business for which he works being sold out of the Company's group or in other circumstances at the discretion of the committee, then a contingent award will vest on the date of cessation and a nil-cost option can be exercised in the 12 months following the cessation of employment. An award may be reduced pro rata to reflect the length of service within a performance period and the extent to which any conditions have been satisfied.

Corporate events

In the event of certain corporate events such as a takeover or winding-up of the Company, all awards will become exercisable early (for a limited period) or vest early. The extent to which awards will become exercisable or vest in these situations will depend on the extent to which any performance conditions have been satisfied.

13.3.2 The Royal Bank of Scotland Group plc Restricted Share Plan ("RSP")

Eligibility

Any employee (but excluding any person who is a main board director of the Company) of the Company and its subsidiaries will be eligible to participate in the RSP.

Grant of award

The Board may grant a conditional right to acquire Ordinary Shares at no cost or a beneficial interest in Ordinary Shares ("restricted shares") in the Company.

No payment is required for the grant of award.

Performance conditions

The Board may make the vesting of an award conditional on satisfying one or more conditions.

The Board may vary the performance conditions applying to an award if an event has occurred which causes the Board to consider that it would be appropriate to either waive the existing conditions in whole or in part, or to amend the performance conditions, provided the Board reasonably considers the varied conditions are a fairer measure of performance, and not materially more difficult or less challenging than the original conditions.

Vesting of an award

The Board can decide to satisfy awards by the payment of a cash amount.

The RSP only uses existing Ordinary Shares, and trustees are not permitted to subscribe for any new issue shares.

Leaving employment

As a general rule, an award will lapse upon a participant ceasing to hold employment within the Group. However, if a participant ceases to be an employee in the Group by reason of his death, ill-health, injury, disability, redundancy, retirement, his employing

company or the business for which he works being sold out of the Company's group or in other circumstances at the discretion of the Board, then his award will vest on the date of his cessation even if conditions have not been satisfied. Certain awards may be reduced pro rata based on time elapsed since grant date.

Corporate events

In the event of a takeover, amalgamation, reconstruction or winding-up of the Company (not being an internal corporate reorganisation or merger), all awards will vest early and in full (unless the Board determines otherwise).

14 Pension benefits

Members of the Group sponsor a number of pension schemes in the United Kingdom and overseas, predominantly of the defined benefit type, whose assets are independent of the Group's finances. Defined benefit pensions generally provide a pension of one-sixtieth of final pensionable salary for each year of service prior to retirement. Employees do not make contributions for basic pensions but may make voluntary contributions to secure additional benefits on a money-purchase basis. Since October 2006, The RBS Group Pension Fund has been closed to new entrants.

Details of the funding position of the pension schemes are contained in the Annual Report and Accounts for 2007. For information on the pension benefits paid by the Group, please see pages 141 and 142 in the Annual Report and Accounts which are incorporated herein by reference.

15 Environmental issues

The Company is of the opinion that there are no environmental issues which may affect the Company's utilisation of its tangible fixed assets.

16 Litigation

As a participant in the financial services industry, the RBS Group operates in a legal and regulatory environment that exposes it to potentially significant litigation risks. As a result, RBS and other members of the RBS Group are involved in various disputes and legal proceedings in the United Kingdom, the United States and other jurisdictions, including litigation. Such cases are subject to many uncertainties, and their outcome is often difficult to predict, particularly in the earlier stages of a case. Currently, the Group is involved in litigation arising out of its operations.

Other than as set out in this paragraph 16, so far as RBS is aware, neither RBS nor any member of the Group is or has been engaged in nor has pending or threatened any governmental, legal or arbitration proceedings which may have or have had in the recent past (covering the 12 months immediately preceding the date of this document) a significant effect on the Group's financial position or profitability.

United Kingdom

In common with other banks in the United Kingdom, RBS plc and NatWest have received claims and complaints from a large number of customers relating to the legal status and enforceability of current and historic contractual terms in personal current account agreements relating to unarranged overdraft and unpaid item charges ("Relevant Charges") and seeking repayment of Relevant Charges that had been applied to their accounts in the past. The claims and complaints are based primarily on the common law penalty doctrine and the Unfair Terms in Consumer Contracts Regulations 1999 (the "Regulations"). Because of the High Court test case referred to below, most existing and new claims in the County Courts are currently stayed and there is currently an FSA waiver of the complaints handling process and a standstill of Financial Ombudsman Service decisions.

On 27 July 2007, following discussions between the OFT, the Financial Ombudsman Service, the Financial Services Authority and major UK banks (including RBS), the OFT issued proceedings in a test case against the banks which was intended to determine certain preliminary issues concerning the legal status and enforceability of contractual terms relating to Relevant Charges.

The judgement on these preliminary issues was handed down on 24 April 2008. The judgement primarily addressed the contractual terms relating to Relevant Charges in personal current account (excluding basic bank account) agreements in force in early 2008 ("Current Terms") and not contractual terms in

historic personal current account agreements. The judgement held that the Current Terms used by RBS plc and NatWest (i) are not unenforceable as penalties, but (ii) are not exempt from assessment for fairness under the Regulations. RBS is considering whether to appeal any of the rulings contained in the judgement.

A High Court hearing has been arranged for 22 May 2008 at which the OFT, RBS and the other test case banks are expected to make submissions to the Court in relation to whether they wish to appeal the judgement, the implications of the judgement in the test case and arrangements for any remaining issues relevant to the customer claims and complaints to be determined in the test case in due course.

The issues relating to the legal status and enforceability of the Relevant Charges are complex. RBS maintains that its Relevant Charges are fair and enforceable and believes that it has a number of substantive and credible defences. RBS cannot, however, at this stage predict with any certainty if, or for how long, the stays, waiver and standstill referred to above will remain in place. Nor can it at this stage predict with any certainty the timing or substance of the final outcome of the customer claims and complaints, any appeals against the judgement handed down on 24 April 2008 and any further stages of the test case. It is unable reliably to estimate the liability, if any, that may arise as a result of or in connection with these matters or its effect on RBS's consolidated net assets, operating results or cash flows in any particular period. Consistent with RBS's obligations as a company admitted to the Official List, RBS will give further details in relation to the OFT litigation when they become available, including its potential impact on the Company.

United States

Proceedings, including consolidated class actions on behalf of former Enron securities holders, have been brought in the United States against a large number of defendants, including the Group, following the collapse of Enron. The claims against the Group could be significant; the class plaintiff's position is that each defendant is responsible for an entire aggregate damage amount less settlements—they have not quantified claimed damages against the Group in particular. The Group considers that it has substantial and credible legal and factual defences to these claims and will continue to defend them vigorously. Recent decisions by the US Supreme Court and the US federal court for the Fifth Circuit provide further support for the Group's position. The Group is unable reliably to estimate the liability, if any, that might arise or its effect on the Group's consolidated net assets, its operating results or cash flows in any particular period.

On 26 March 2008, two actions were brought in the United States against a six-bank syndicate which includes the Group based on obligations under a loan commitment letter (the "Commitment Letter"), to provide financing for the acquisition by two private equity firms of Clear Channel Communications, Inc. In an action brought in New York State Court, plaintiffs seek specific performance of the Commitment Letter, or, alternatively, a judgement for unspecified compensatory, consequential, and punitive damages. In an action brought in Texas State Court, the plaintiffs are seeking an injunction to prevent the banks from further interfering with the Clear Channel acquisition, or, alternatively, a judgement for actual, consequential, and special damages in excess of US\$26bn, and punitive damages. The Group denies liability, and, alternatively asserts that, even if liability were proven in either action, any potential damages would be limited to a US\$500m contractual termination fee payable by the syndicate as a whole. Both actions are on an expedited schedule, with the New York action scheduled for trial on 5 May 2008, and the Texas action scheduled for trial on 2 June 2008. The Group considers that it has substantial credible legal and factual defences to these claims and will continue to defend them vigorously.

17 Investigations

RBS's businesses and earnings can be affected by the fiscal or other policies and other actions of various governmental and regulatory authorities in the United Kingdom, the European Union, the United States and elsewhere.

There is continuing political and regulatory scrutiny of the operation of the retail banking and consumer credit industries in the United Kingdom and elsewhere. The nature and impact of future changes in policies and regulatory action are not predictable and are beyond RBS's control but could have an adverse impact on RBS's businesses and earnings.

European Union

In the European Union, these regulatory actions included an inquiry into retail banking in all of the then 25 member states by the European Commission's Directorate General for Competition. The inquiry examined retail banking in Europe generally. On 31 January 2007, the European Commission announced that barriers to competition in certain areas of retail banking, payment cards and payment systems in the European Union had been identified. The European Commission indicated that it will use its powers to address these barriers and will encourage national competition authorities to enforce European and national competition laws where appropriate.

In 2007 the European Commission issued a judgement that MasterCard's current multilateral interchange fee ("MIF") arrangement for cross border payment card transactions with MasterCard and Maestro branded consumer credit and debit cards in the European Union are in breach of competition law. MasterCard is required by the decision to withdraw the relevant cross border MIFs by June 2008. RBS is waiting for MasterCard to report to member banks with its proposals for removing the cross border MIF for credit and debit card transactions. RBS also understands that MasterCard is intending to appeal the decision. Visa's MIFs were temporarily allowed in 2002 by the European Commission up to 31 December 2007. On 27 March 2008, the European Commission opened a formal inquiry into Visa's current MIF arrangements for cross border payment card transactions with Visa branded debit and consumer credit card charges in the European Union. There is no deadline for the closure of the inquiry.

United Kingdom

In the United Kingdom, in September 2005, the Office of Fair Trading ("OFT") received a supercomplaint from the Citizens Advice Bureau relating to payment protection insurance ("PPI"). As a result, the OFT commenced a market study on PPI in April 2006. In October 2006, the OFT announced the outcome of the market study and, on 7 February 2007, following a period of consultation, the OFT referred the PPI market to the Competition Commission ("CC") for an in-depth inquiry. This inquiry could continue for up to two years. Also, in October 2006, the FSA published the outcome of its broad industry thematic review of PPI sales practices in which it concluded that some institutions fail to treat customers fairly.

In January 2006, the OFT commenced a review of the undertakings given following the conclusion of the CC inquiry in 2002 into the supply of banking services to small and medium enterprises ("SMEs"). On 21 December 2007, the CC published its decision to lift the temporary price controls imposed in 2003 on the United Kingdom's four largest banks servicing SMEs (including RBS) and to retain certain behavioural undertakings.

The OFT has carried out investigations into Visa and MasterCard credit card interchange rates. The decision by the OFT in the MasterCard interchange case was set aside by the Competition Appeals Tribunal in June 2006. The OFT's investigations in the Visa interchange case and a second MasterCard interchange case are ongoing. The outcome is not known, but these investigations may have an impact on the consumer credit industry in general and, therefore, on RBS's business in this sector. On 9 February 2007, the OFT announced that it was expanding its investigation into interchange rates to include debit cards.

On 29 March 2007, the OFT announced that, following an initial review into bank current account charges, it had decided to conduct an in-depth study of UK retail bank pricing and a formal investigation into the fairness of bank current account charges. The findings of the OFT's study and investigation are expected to be published later this year. Given the stage of the investigation, the Company cannot estimate the impact of any adverse outcome of the investigation upon it, if any. However, the Company is cooperating fully with the OFT to achieve resolution of the matters under investigation.

On 26 January 2007, the FSA issued a Statement of Good Practice relating to Mortgage Exit Administration Fees. On 1 March 2007, the Group adopted a policy of charging all customers the fee applicable at the time the customers took out the mortgage or, if later, varied their mortgage. The Company believes that it is currently in compliance with the Statement of Good Practice and will continue to monitor its performance against those standards.

On 26 April 2007, the Office of Rail Regulation referred the leasing of rolling stock for franchised passenger services and the supply of related maintenance services in the United Kingdom to the CC for an inquiry lasting up to two years. RBS owns the Angel Trains group, a rolling stock leasing business operating in this market. Given the stage of the investigation, the Company cannot estimate the impact

of any adverse outcome of the investigation upon it, if any. The Company is cooperating fully with the Office of Rail Regulation and the CC to resolve the questions being considered.

On 15 May 2007, the CC published its final report into the supply of personal current account banking services in Northern Ireland. The Northern Ireland PCA Banking Market Investigation Order 2008 implementing the remedies (including, *inter alia*, measures designed to make switching current accounts between banks easier for depositors and requiring the provision of aggregate fees and other information to customers) set out in the report came into force on 22 February 2008. RBS owns Ulster Bank, which is active in the Northern Ireland current account market. The Company has responded to the remedies mandated by the Order and believes that it is currently in compliance with its obligations. The Company will continue to monitor its performance against those requirements.

United States

In July 2004, ABN AMRO signed a written agreement with the US regulatory authorities concerning ABN AMRO's dollar clearing activities in the New York branch. In addition, in December 2005, ABN AMRO agreed to a Cease and Desist Order with the Dutch Central Bank and various US federal and state regulators. This involved an agreement to pay an aggregate civil penalty of US\$75m and a voluntary endowment of \$5m in connection with deficiencies in the US dollar clearing operations at ABN AMRO's New York branch and OFAC compliance procedures regarding transactions originating at its Dubai branch. ABN AMRO and members of ABN AMRO's management continue to provide information to law enforcement authorities in connection with ongoing criminal investigations relating to ABN AMRO's dollar clearing activities, OFAC compliance procedures and other Bank Secrecy Act compliance matters. The Cease and Desist Order with the Dutch Central Bank was lifted on 26 July 2007. Although no written agreement has yet been reached and negotiations are ongoing, ABN AMRO has reached an agreement in principle with the US Department of Justice that would resolve all presently known aspects of the ongoing investigation. Under the terms of the agreement in principle, ABN AMRO and the United States would enter into a deferred prosecution agreement in which ABN AMRO would waive indictment and agree to the filing of information in the United States District Court charging it with certain violations of federal law based on information disclosed in an agreed factual statement. ABN AMRO would also agree to continue cooperating in the United States' ongoing investigation and to settle all known civil and criminal claims currently held by the United States for the sum of US\$500m. The precise terms of the deferred prosecution agreement are still under negotiation.

These compliance issues and the related sanctions and investigations have had, and will continue to have, an impact on ABN AMRO's operations in the United States, including limitations on expansion. ABN AMRO is actively exploring all possible options to resolve these issues. The ultimate resolution of these compliance issues and related investigations and the nature and severity of possible additional sanctions cannot be predicted.

The New York State Attorney General has issued subpoenas to a wide array of participants in the sub-prime mortgage industry including mortgage originators, appraisers, due diligence firms, investment banks and rating agencies, focusing on the information underwriters obtained as part of the due diligence process from the independent due diligence firms and whether that information is adequately disclosed to investors. RBS Greenwich Capital has produced documents requested by the New York State Attorney General principally related to sub-prime loans that were pooled into one securitisation transaction.

In addition to the above, certain of the Group's subsidiaries have received requests for information from various US governmental agencies and self-regulatory organisations including in connection with sub-prime mortgages and securitisations, collateralised debt obligations and synthetic products related to sub-prime mortgages. In particular, during March 2008 RBS was advised by the SEC that it had commenced a non-public, formal investigation relating to RBS's US sub-prime securities exposure and US residential mortgage exposures. RBS and its subsidiaries are co-operating with these various requests for information and investigations.

18 Material contracts

The following are all of the contracts (not being contracts entered into in the ordinary course of business) that have been entered into by members of the RBS Group (i) within the two years immediately preceding the date of this document which are, or may be, material to the RBS Group; or (ii) at any time

and contain obligations or entitlements which are, or may be, material to the RBS Group as at the date of this document:

(i) CSA

On 28 May 2007, Fortis, RBS, Santander and RFS Holdings entered into the CSA. The CSA governs the relationships amongst the parties thereto in relation to the acquisition by RFS Holdings of ABN AMRO. The CSA details, *inter alia*, the funding of RFS Holdings in connection with the acquisition of ABN AMRO, the equity interests in RFS Holdings, the governance of RFS Holdings both before and after the acquisition of ABN AMRO, the arrangements for the transfer of certain ABN AMRO businesses, assets and liabilities to Fortis, RBS and Santander post-acquisition of ABN AMRO, further funding obligations of Fortis, RBS and Santander after the acquisition of ABN AMRO where funding is required by regulatory authorities in connection with the ABN AMRO businesses, the allocation of core Tier 1 capital and the allocation of taxes and conduct of tax affairs.

(ii) Standby underwriting commitment letter

On 28 May 2007, RBS and Merrill Lynch International entered into a standby underwriting commitment letter, pursuant to which Merrill Lynch International undertook to underwrite one or more issues by RBS of securities eligible to be treated as part of its innovative or non-innovative Tier 1 capital and/or convertible securities convertible into Ordinary Shares, the proceeds of which would be used to finance part of the cash portion of consideration payable to ABN AMRO shareholders upon settlement of the offers for shares in ABN AMRO. The aggregate amount of Merrill Lynch International's standby underwriting commitment was €6.2bn. Pursuant to the letter, RBS agreed to pay certain fees and expenses to Merrill Lynch International in consideration for its standby commitment.

(iii) Agreement with Bank of America for the sale of LaSalle

On 22 April 2007, ABN AMRO Bank and Bank of America entered into an agreement for the sale by ABN AMRO Bank to Bank of America of all of the outstanding shares of common stock of ABN AMRO North America Holding Company ("ABN AMRO North America"), a Delaware corporation whose subsidiaries include LaSalle. The consideration for the shares was US\$21bn, subject to a potential purchase price adjustment if ABN AMRO Bank's estimate of the net income of ABN AMRO North America for the pre-closing period was less than a specified income threshold. The agreement also provided for approximately US\$6bn owed by ABN AMRO North America to other members of the ABN AMRO group to be converted into common stock of ABN AMRO North America. ABN AMRO Bank gave certain representations and warranties to Bank of America, including, *inter alia*, as to title to the shares, authority and capacity to enter into the agreement, financial statements, tax and employee benefits. The warranties given by ABN AMRO Bank were repeated on closing of the agreement. ABN AMRO Bank is liable to indemnify and hold harmless Bank of America for damages arising out of certain specified events, including breach of any covenant that survives closing.

(iv) Underwriting Agreement

Pursuant to an underwriting agreement dated 22 April 2008 among RBS, Goldman Sachs International, Merrill Lynch International, UBS and RBS plc, the Underwriters have agreed severally to procure subscribers for, or failing which themselves to subscribe for, New Shares not taken up under the Rights Issue, in each case at the Issue Price. On 24 April 2008, pursuant to the terms of the Underwriting Agreement, RBS appointed certain additional institutions as underwriters, who thereby became parties to the Underwriting Agreement.

In consideration of their services under the Underwriting Agreement, and subject to their obligations under the Underwriting Agreement having become unconditional and the Underwriting Agreement not having been terminated, the Underwriters will be paid (i) a base fee of 1.50 per cent. of the Issue Price multiplied by the aggregate number of New Shares and (ii) in RBS's sole discretion (as to payment and allocation) a discretionary fee equal to 0.25 per cent. of the Issue Price multiplied by the aggregate number of New Shares, in each case, whether or not they are called upon to acquire or procure acquirers for any of the New Shares under the Underwriting Agreement. Subject to the Underwriters' obligations under the Underwriting Agreement having become unconditional and the Underwriting Agreement not having been terminated, RBS will pay RBS plc an aggregate bookrunning fee of 0.05 per cent. of the Issue Price multiplied by the aggregate number of New Shares. Out of such fees (to the

extent received by the Underwriters) the Underwriters will pay any sub-underwriting commissions (to the extent that sub-underwriters are or have been procured). The Underwriters may arrange sub-underwriting for some, all or none of the New Shares.

RBS shall pay (whether or not the Underwriters' obligations under this Agreement become unconditional) all costs and expenses of, or in connection with, the Rights Issue, the General Meeting, the allotment and issue of the New Shares and the Underwriting Agreement including (but not limited to) the UK Listing Authority and the London Stock Exchange and Euronext Amsterdam listing and trading fees, other regulatory fees and expenses, printing and advertising costs, postage, the Registrar's charges, its own and the Underwriters' properly incurred legal and other out of pocket expenses, all accountancy and other professional fees, properly incurred public relations fees and expenses and all stamp duty and stamp duty reserve tax (if any) and other duties and taxes (other than corporation tax incurred by any of the Underwriters on the commissions payable to them).

The obligations of the Underwriters under the Underwriting Agreement are subject to certain conditions including, amongst others:

- (i) the passing without amendment of Resolution 1 to be proposed at the General Meeting;
- (ii) Admission becoming effective by not later than 8.00 a.m. on 19 May 2008 (or such later time and date as the parties to the Underwriting Agreement may agree);
- (iii) each condition to enable the Nil Paid Rights and the Fully Paid Rights to be admitted as a participating security in CREST (other than Admission) being satisfied on or before 14 May 2008;
- (iv) the fulfilment in all material respects by RBS of its obligations under a number of provisions of the Underwriting Agreement by the times specified therein;
- (v) on Admission there being no breach by the Company of the representations and warranties given in the Underwriting Agreement; and
- (vi) there being no event referred to in Section 87G(1) of the FSMA arising between the date of this document and Admission and no supplementary prospectus being published by or on behalf of the Company prior to Admission which Goldman Sachs International and Merrill Lynch International (acting in good faith) consider material in the context of the Rights Issue and/or such as to make it impracticable or inadvisable to proceed with the Rights Issue.

Pursuant to the Underwriting Agreement, the parties to the Underwriting Agreement have agreed that if a supplementary prospectus is issued by RBS two business days or fewer prior to the date specified as the latest date for acceptance and payment in full, such date shall be extended to the date which is three business days after the date of issue and passporting into the Netherlands of the supplementary prospectus.

Goldman Sachs International and Merrill Lynch International may terminate the Underwriting Agreement in certain circumstances but only prior to Admission. RBS has given certain representations and warranties and indemnities to the Underwriters. The liabilities of RBS are unlimited as to time and amount.

19 Other contingencies

Additional contingent liabilities arise in the normal course of the Group's business. It is not currently anticipated that any material loss will arise from these transactions.

20 Related party transactions

Other than as set out below, or disclosed in the financial information incorporated by reference into this document for the financial years ended 31 December 2005, 2006 and 2007, there are no related party transactions between the Company and members of the RBS Group that were entered into during the financial years ended 31 December 2005, 2006 and 2007 and during the period between 1 January 2008 and 28 April 2008 (the latest practicable date prior to the publication of this document).

With effect from 17 October 2007, the Group transferred to Santander (a related party for the purpose of the Listing Rules) its rights and obligations under the CSA in respect of the ABN AMRO Global Clients business in Brazil for €750m.

21 Dividends

The following table sets out the dividend per Ordinary Share paid in each of the financial years ended 31 December 2007, 31 December 2006 and 31 December 2005:

	Dividend per Share (pence per Ordinary Share)	
	Reported ⁽¹⁾	Adjusted ⁽²⁾
2007	32.2	26.9
2006	25.8	21.5
2005	20.2	16.9

Notes:

(1) Adjusted to reflect the two-for-one bonus issue in May 2007.

(2) The adjusted data have been adjusted to reflect the estimated discount element of the Rights Issue.

On 28 February 2008, the Company announced a final dividend of 23.1 pence per Share to be paid to Shareholders on the register of members on 7 March 2008. An interim dividend of 10.1 pence per Share was paid on 5 October 2007 which, together with the final dividend, results in a total ordinary dividend for the year of 33.2 pence per Share. Holders of New Shares issued pursuant to the Rights Issue will not be entitled to receive the 2007 final dividend.

22 Working capital

The Company is of the opinion that, after taking into account existing available bank and other facilities and the net proceeds of the Rights Issue, the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this document.

23 No significant change

23.1 Save as regards (i) the estimated write-downs in respect of credit market exposures in 2008 used for RBS's capital planning purposes described on pages 24-25 of Part I of this document and (ii) the current trading and prospects of the RBS Group described on pages 29-31 of Part I of this document, there has been no significant change in the trading or financial position of the RBS Group since 31 December 2007 (the date to which the latest audited published financial information of the RBS Group was prepared).

23.2 Save as regards (i) the ongoing restructuring and integration of ABN AMRO described on page 31 of Part I of this document and pages 63-65 of Part IV of this document, (ii) the estimated write-downs in respect of certain credit market exposures of approximately £2.3bn (which amount is included within the RBS Group's write-downs estimated for capital planning purposes as described on pages 24-25 of Part I of this document) and (iii) the adverse effect of current market conditions as described on pages 29 and 31 of Part I of this document on certain of ABN AMRO's businesses, there has been no significant change in the financial or trading position of ABN AMRO since 31 December 2007 (the date to which the latest audited published financial information of ABN AMRO was prepared).

24 Consents

24.1 Goldman Sachs International has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.

24.2 Merrill Lynch International has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.

24.3 UBS Limited has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.

24.4 RBS plc has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.

24.5 Deloitte & Touche LLP is a member firm of the Institute of Chartered Accountants in England and Wales and has given and not withdrawn its written consent to the inclusion of its report in Part IX of this document in the form and context in which they appear and has authorised the contents of these parts of this document which comprise its reports for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.

25 General

25.1 The financial information concerning the RBS Group contained in this document does not constitute statutory accounts within the meaning of Section 434(3) of the Companies Act. The consolidated financial statements of the Company in respect of the three years ended 31 December 2007 were reported on by Deloitte & Touche LLP the auditors of the Company within the meaning of Section 495 of the Companies Act for the period of the historical financial information set out in this document. The auditors of the Company made reports under Section 503 of the Companies Act in respect of the three years ended 31 December 2007 and such reports were unqualified reports within the meaning of sections 836 to 841 of the Companies Act.

25.2 The Rights Issue is being underwritten in full by the Underwriters pursuant to the Underwriting Agreement, details of which are set out in paragraph 18 of Part XII.

25.3 The total costs, charges and expenses payable by the Company in connection with the Rights Issue are estimated to be £246m (inclusive of VAT).

25.4 The Company remains subject to the continuing obligations of the Listing Rules with regard to the issue of securities for cash and the provisions of Section 89 of the Companies Act (which confers on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the balance of the authorised but unissued share capital of the Company which is not the subject of the disapplication in Article 13(B)(2) of the Articles of Association.

25.5 The Existing Shares are in registered form, are capable of being held in uncertificated form and are admitted to the Official List and are traded on the main market for listed securities of the London Stock Exchange and Euronext Amsterdam.

25.6 The New Shares will be in registered form and, from Admission, will be capable of being held in uncertificated form and title to such shares may be transferred by means of a relevant system (as defined in the CREST Regulations). Where New Shares are held in certificated form, share certificates will be sent to the registered members by first-class post. Where New Shares are held in CREST, the relevant CREST stock account of the registered members will be credited. Where New Shares are held in Euroclear UK, the relevant securities account of the Admitted Institutions will be credited. The New Shares will be admitted, nil paid, with the ISIN GB00B2R3F116 and, fully paid, with the ISIN GB00B2R3F009.

25.7 The New Shares will be issued at 200 pence per share. This represents a premium of 175 pence per Ordinary Share to the nominal value of 25 pence per Ordinary Share.

26 Documents available for inspection

Copies of the following documents may be inspected at the registered office of the Company and at the offices of Linklaters LLP, One Silk Street, London EC2Y 8HQ during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) up to and including 6 June 2008 and will also be available for inspection at the General Meeting for at least 15 minutes prior to and during the meeting:

- (a) the Memorandum and Articles of Association;
- (b) the Annual Reports and audited consolidated accounts of the RBS Group for the three financial years ended 31 December 2007, 2006 and 2005;
- (c) the Annual Report on Form 20-F of ABN AMRO for the financial year ended 31 December 2007;
- (d) the report on the unaudited pro forma financial information by Deloitte & Touche LLP set out in Part IX of this document;

- (e) the Letter to Shareholders;
- (f) the shareholder circular dated 20 July 2007 prepared by RBS in connection with the acquisition of ABN AMRO;
- (g) the listing particulars dated 20 July 2007 prepared by RBS in connection with the acquisition of ABN AMRO;
- (h) the consent letters referred to in paragraph 24 above; and
- (i) this document.

27 Sources of information

The sources and bases of statements relating to the market position of RBS are set out in this document where the statement is made. Certain information has been obtained from external publications and is sourced in this document where the information is included. RBS confirms that this information has been accurately reproduced and, so far as RBS is aware and is able to ascertain from the information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Unless otherwise stated, such information has not been audited.

28 Announcement on results of the Rights Issue

The Company will make an appropriate announcement(s) to a Regulatory Information Service giving details of the results of the Rights Issue and details of the sale of New Shares not taken up by Qualifying Shareholders on or about 6 June 2008.

30 April 2008

PART XIII

DOCUMENTATION INCORPORATED BY REFERENCE

The Annual Report and Accounts of RBS for each of the financial years ended 31 December 2007, 2006 and 2005 are available for inspection in accordance with paragraph 26 of Part XII of this document and contain information which is relevant to the Rights Issue. These documents are also available on RBS's website at www.rbs.com.

The Annual Report on Form 20-F of ABN AMRO for the financial year ended 31 December 2007 has been filed with the SEC and is available for inspection in accordance with paragraph 26 of Part XII of this document and contains information which is relevant to the Rights Issue. This document is also available on the SEC's website at www.sec.gov.

The Letter to Shareholders is available for inspection in accordance with paragraph 26 of Part XII of this document and contains information which is relevant to the Rights Issue. This document is also available on RBS's website at www.rbs.com.

The shareholder circular dated 20 July 2007 prepared by RBS in connection with the acquisition of ABN AMRO is available for inspection in accordance with paragraph 26 of Part XII of this document. It contains information which is relevant to the Rights Issue. This document is also available at www.investors.rbs.com/investor_relations/uk_offerdocs.cfm.

The table below sets out the various sections of such documents which are incorporated by reference into this document so as to provide the information required under the Prospectus Rules and to ensure that Shareholders and others are aware of all information which, according to the particular nature of RBS, ABN AMRO and of the New Shares, is necessary to enable Shareholders and others to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of RBS.

Document	Section	Page numbers in such document
RBS		
Annual Report and Accounts 2007	Independent auditors' report for year ended 31 December 2007	118-119
Annual Report and Accounts 2007	Consolidated income statement for year ended 31 December 2007	120
Annual Report and Accounts 2007	Balance sheet as at 31 December 2007	121
Annual Report and Accounts 2007	Statement of recognised income and expense for year ended 31 December 2007	122
Annual Report and Accounts 2007	Cash flow statement for year ended 31 December 2007	123
Annual Report and Accounts 2007	Accounting policies	124-139
Annual Report and Accounts 2007	Notes on the accounts for year ended 31 December 2007	140-212
Annual Report and Accounts 2007	Business review	4-90
Annual Report and Accounts 2007	Report of the directors	94-98
Annual Report and Accounts 2007	Corporate governance	99-104
Annual Report and Accounts 2007	Directors' remuneration report	105-114
Annual Report and Accounts 2007	Directors' interests in shares	115
Annual Report and Accounts 2007	Amounts in accordance with IFRS	214-222
Annual Report and Accounts 2007	Exchange rates	230

Document	Section	Page numbers in such document
Annual Report and Accounts 2007	Economic and monetary environment	231
Annual Report and Accounts 2007	Supervision and regulation	231-233
Annual Report and Accounts 2007	Description of property and equipment	234
Annual Report and Accounts 2007	Major shareholders	234
Annual Report and Accounts 2007	Material contracts	234
Letter to Shareholders	Press release relating to the proposed rights issue, dated 22 April—Appendix IV and Appendix V	16-20
Listing Particulars dated 20 July 2007	Information on the Consortium and Shareholders' Agreement	74-77
Listing Particulars dated 20 July 2007	Plans and Proposals for ABN AMRO	42-48
Annual Report and Accounts 2006	Independent auditors' report for year ended 31 December 2006	128-129
Annual Report and Accounts 2006	Accounting policies	130-138
Annual Report and Accounts 2006	Consolidated income statement for year ended 31 December 2006	139
Annual Report and Accounts 2006	Balance sheet as at 31 December 2006	140
Annual Report and Accounts 2006	Statement of recognised income and expense for year ended 31 December 2006	141
Annual Report and Accounts 2006	Cash flow statement for year ended 31 December 2006	142
Annual Report and Accounts 2006	Notes on the accounts for year ended 31 December 2006	143-224
Annual Report and Accounts 2006	Operating and financial review for year ended 31 December 2006	43-100
Annual Report and Accounts 2005	Independent auditors' report for year ended 31 December 2005	134-135
Annual Report and Accounts 2005	Accounting policies	136-144
Annual Report and Accounts 2005	Consolidated income statement for year ended 31 December 2005	145
Annual Report and Accounts 2005	Balance sheet as at 31 December 2005	146
Annual Report and Accounts 2005	Statement of recognised income and expense for year ended 31 December 2005	147
Annual Report and Accounts 2005	Cash flow statement for year ended 31 December 2005	148
Annual Report and Accounts 2005	Notes to the accounts for year ended 31 December 2005	149-229
Annual Report and Accounts 2005	Operating and financial review for year ended 31 December 2005	51-106

Document	Section	Page numbers in such document
ABN AMRO		
Annual Report on Form 20-F – 2007	Report of independent registered public accounting firm for year ended 31 December 2007	233
Annual Report on Form 20-F – 2007	Accounting policies	98-115
Annual Report on Form 20-F – 2007	Consolidated income statement for year ended 31 December 2007	116
Annual Report on Form 20-F – 2007	Consolidated balance sheet as at 31 December 2007	117
Annual Report on Form 20-F – 2007	Consolidated statement of changes in equity for year ended 31 December 2007	118
Annual Report on Form 20-F – 2007	Consolidated cash flow statement for year ended 31 December 2007	119
Annual Report on Form 20-F – 2007	Notes to the consolidated financial statements for year ended 31 December 2007	120-224
Annual Report on Form 20-F – 2007	Operating and financial review and prospects for year ended 31 December 2007	12-29
Annual Report on Form 20-F – 2007	Results of operations by BU	30-51
Annual Report on Form 20-F – 2007	Risk and capital management	52-76

PART XIV

DEFINITIONS

In this document the following expressions have the following meaning unless the context otherwise requires:

ABN AMRO	ABN AMRO Holding N.V. and its subsidiaries or any one of them, as the context so requires
ABN AMRO Bank	ABN AMRO Bank N.V., a wholly-owned subsidiary of ABN AMRO
ABS	asset-backed security
Admission	the admission of the New Shares (nil paid and fully paid) to the Official List becoming effective in accordance with the Listing Rules and the admission of such shares (nil paid and fully paid) to trading on the London Stock Exchange's market for listed securities becoming effective in accordance with the Admission and Disclosure Standards and the admission of the New Shares (nil paid and fully paid) to listing and trading on Euronext Amsterdam becoming effective in accordance with the NYSE Euronext Rule Books
Admission and Disclosure Standards	the "Admission and Disclosure Standards" of the London Stock Exchange containing, among other things, the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange's main market for listed securities
Admitted Institutions	the institutions which hold shares on behalf of their clients through Euroclear Nederland as an admitted institution of Euroclear Nederland or, as the context so permits, which hold shares on behalf of their clients through an institution which is an admitted institution of Euroclear Nederland
ADSs	American depository shares, each representing one ordinary share of ABN AMRO
Articles of Association	the articles of association of the Company, details of which are set out in paragraph 4 of Part XII of this document
AUD	Australian dollar, the lawful currency of Australia
Board	the board of directors of RBS
BRL	Brazilian real, the lawful currency of Brazil
BST	British Summer Time
business day	a day (excluding Saturdays and Sundays or public holidays in England and Wales) on which banks generally are open for business in London for the transaction of normal business
CAD	Canadian dollar, the lawful currency of Canada
Capitalisation Issue	the proposed issue of Ordinary Shares by way of capitalisation of distributable reserves, share premium account or capital redemption reserve instead of the payment of the 2008 interim dividend, as described in Part X of this document
Capitalisation Issue Shares	the Ordinary Shares to be issued pursuant to the Capitalisation Issue
CC	the UK Competition Commission

CCSS or CREST Courier and Sorting Service	the CREST Courier and Sorting Service established by Euroclear UK to facilitate, amongst other things, the deposit and withdrawal of securities
CDO	collateralised debt obligation
CDS	credit default swap
certificated or in certificated form	where a share or other security is not in uncertificated form
CET	Central European Time
CGT	UK tax on chargeable gains
CHF	Swiss franc, the lawful currency of Switzerland
Citizens	Citizens Financial Group Inc., a wholly-owned subsidiary of RBS
CLO	collateralised loan obligation
Combined Code	the UK Combined Code on Corporate Governance
Companies Act	the UK Companies Act 1985, as amended or the UK Companies Act 2006, as the context so requires
Company or RBS	The Royal Bank of Scotland Group plc, a company incorporated under the laws of Scotland (registered under no. SC45551), with registered office at 36 St Andrew Square, Edinburgh EH2 2YB
Consortium Banks	RBS, Fortis and Santander
CREST	the relevant system, as defined in the CREST Regulations (in respect of which Euroclear UK is the operator as defined in the CREST Regulations)
CREST Manual	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear UK on 15 July 1996 and as amended since)
CREST member	a person who has been admitted to Euroclear UK as a system-member (as defined in the CREST Regulations)
CREST participant	a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations)
CREST Regulations or Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/378), as amended
CREST sponsor	a CREST participant admitted to CREST as a CREST sponsor
CREST sponsored member	a CREST member admitted to CREST as a sponsored member
CSA or Consortium Agreement	the Consortium and Shareholders' Agreement dated 28 May 2007, among RBS, Fortis, Santander and RFS Holdings, as amended
Cumulative Preference Shares	the 11 per cent. cumulative preference shares of £1 each and 5.5 per cent. cumulative preference shares of £1 each in the capital of the Company
Daily Official List	the daily record setting out the prices of all trades in shares and other securities conducted on the London Stock Exchange

Directors	the Executive Directors and Non-Executive Directors, whose names appear on page 22 of this document
Disclosure and Transparency Rules	the rules relating to the disclosure of information made in accordance with Section 73A(3) of the FSMA
Discretionary Option Plans	the Discretionary Option Plans adopted by the Company described in paragraph 13 of Part XII of this document
Dutch Central Bank	De Nederlandsche Bank N.V.
Dutch Listing Agent	ABN AMRO Bank N.V.
Dutch Paying Agent	ABN AMRO Bank N.V.
Dutch Subscription Agent	ABN AMRO Bank N.V.
Employee Share Ownership Plans	the Employee Share Ownership Plans adopted by the Company described in paragraph 13 of Part XII of this document
EPS	earnings per share
EU or European Union	the European Union
Euroclear UK	Euroclear UK & Ireland Limited, the operator of CREST
Euroclear Nederland	Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V., the Dutch depository and settlement institute
Euroclear Subscription Rights	transferable and tradable rights, created in Euroclear Nederland, and exercisable in accordance with the Netherlands Securities Giro Act
Euronext	Euronext Amsterdam N.V.
Euronext Amsterdam	Euronext Amsterdam by NYSE Euronext, the regulated market of Euronext
Euronext Share	interests in, and corresponding to, the Existing Shares which at the Record Date are registered in the name of Euroclear Nederland and which are traded on Euronext Amsterdam
European Economic Area	the European Union, Iceland, Norway and Liechtenstein
Excluded Territories and each an Excluded Territory	Australia and South Africa
Executive Directors	the executive directors of RBS
Existing Shares	the Ordinary Shares in issue as at the date of this document
Ex-Rights Date	the date following which the Ordinary Shares trade ex-rights, being 15 May 2008
Financial Services Authority or FSA	the Financial Services Authority of the United Kingdom
Fortis	Fortis N.V., a company incorporated under the laws of the Netherlands (Trade Register number 30072145), with registered office at Archimedes 6, 3584 BA Utrecht, the Netherlands, and Fortis SA/NV, a company incorporated under the laws of Belgium, with registered office at Rue Royale 20, 1000, Brussels, Belgium
FRC	the UK Financial Reporting Council
FSMA	the Financial Services and Markets Act 2000, as amended
Fully Paid Rights	rights to acquire the New Shares, fully paid

General Meeting	the general meeting of RBS to be held at 12.00 noon on 14 May 2008, notice of which is set out in the Letter to Shareholders
General Meeting Notice	the notice of the General Meeting set out in the Letter to Shareholders
Goldman Sachs International	Goldman Sachs International of Peterborough Court, 133 Fleet Street, London EC4A 2BB
HMRC	HM Revenue & Customs
IASB	the International Accounting Standards Board
IFRS	International Financial Reporting Standards as issued by the International Accounting Standards Board
IRS	the Internal Revenue Service of the United States
Issue Price	200 pence per New Share
Letter to Shareholders	the letter to shareholders dated 25 April 2008 issued by the Company in connection with the Rights Issue and including the General Meeting Notice
Listing Rules	the Listing Rules made by the FSA under Part VI of FSMA
London Stock Exchange	London Stock Exchange plc
member account ID	the identification code or number attached to any member account in CREST
Memorandum of Association	the memorandum of association of the Company, details of which are set out in paragraph 4 of Part XII of this document
Merrill Lynch International	Merrill Lynch International of Merrill Lynch Financial Centre, 2 King Edward Street, London EC1A 1HQ
Money Laundering Regulations	the Money Laundering Regulations 2007 (SI 2007/2157)
monoline insurer	an insurer that provides a guarantee for the timely repayment of principal and interest under a bond or other security upon an issuer default and is solely focused on insurance for capital markets products
MYR	Malaysian ringgit, the lawful currency of Malaysia
NatWest	National Westminster Bank plc
New Shares	Ordinary Shares to be allotted and issued pursuant to the Rights Issue
Nil Paid Rights	rights to acquire the New Shares, nil paid
Non-CREST Shareholder	a Shareholder who does not hold their Ordinary Shares in CREST
Non-Executive Directors	the non-executive directors of RBS
OFAC	the Office of Foreign Asset Control
Official List	the Official List of the FSA pursuant to Part VI of FSMA
OFT	the Office of Fair Trading
Option Plans	the Discretionary Option Plans and the Sharesave Schemes
Ordinary Shares or Shares	the ordinary shares of 25 pence each in the share capital of the Company (including, if the context requires, the New Shares)
Overseas Shareholders	Shareholders with registered addresses outside the United Kingdom or who are citizens or residents of countries outside the United Kingdom

Part VI Rules	the rules contained in Part VI of the FSMA
participant ID	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant
Performance Plans	the Medium-Term Performance Plan and the Restricted Share Plan, as described in paragraph 13 of Part XII of this document
pounds sterling or £	the lawful currency of the United Kingdom
PPI	payment protection insurance
proportional consolidated basis	a level of consolidation which excludes those ABN AMRO businesses to be transferred to Fortis and Santander (including their proportional ownership of shared assets and shared liabilities)
Prospectus Rules	the Prospectus Rules published by the FSA under Section 73A of FSMA
Provisional Allotment Letter or PAL	the renounceable provisional allotment letter expected to be sent to Qualifying Non-CREST Shareholders in respect of the New Shares to be provisionally allotted to them pursuant to the Rights Issue
Qualified Institutional Buyer or QIB	has the meaning given in Rule 144A under the US Securities Act
Qualifying CREST Shareholders	Qualifying Shareholders holding Ordinary Shares in uncertificated form in CREST
Qualifying Euroclear Shareholders	Qualifying Shareholders holding Ordinary Shares in uncertificated form in Euroclear Nederland
Qualifying Non-CREST Shareholders	Qualifying Shareholders holding Ordinary Shares in certificated form
Qualifying Shareholders	holders of Ordinary Shares on the register of members of the Company at the Record Date with the exclusion (subject to certain exceptions) of Shareholders with a registered address in the United States or Australia
RAR	risk asset ratio
RBS Group or the Group	the Company and each of its subsidiaries and subsidiary undertakings from time to time
RBS Employee Share Plans	the Option Plans, the Employee Share Ownership Plans, the Ulster Bank Group Employee Share Incentive Scheme, The Royal Bank of Scotland Group plc Irish Profit Sharing (Share Ownership) Scheme and the Performance Plans described in Part XII of this document
RBS Insurance	those companies and operations comprising the RBS insurance division such as Direct Line, Churchill, Privilege, Green Flag and NIG
RBS plc	The Royal Bank of Scotland plc of 36 St Andrew Square, Edinburgh EH2 2YB
Record Date	close of business on 9 May 2008
Registrars or Computershare	Computershare Investor Services PLC
Regulation M	Regulation M under the US Exchange Act
Regulation S	Regulation S under the US Securities Act

Regulatory Information Service	one of the regulatory information services authorised by the UK Listing Authority to receive, process and disseminate regulatory information in respect of listed companies
Resolution 1	the ordinary resolution to be proposed at the General Meeting in connection with the Rights Issue, notice of which is set out in the Letter to Shareholders
Resolution 2	the ordinary resolution to be proposed at the General Meeting in connection with the Capitalisation Issue, notice of which is set out in the Letter to Shareholders
RFS Holdings	RFS Holdings B.V.
Rights	rights to the New Shares pursuant to the Rights Issue
Rights Issue	the proposed issue by way of rights of New Shares to Qualifying Shareholders on the basis described in this document and, in the case of Qualifying Non-CREST Shareholders, in the Provisional Allotment Letter
RPI	retail price index
RTGS	real time gross settlement
Santander	Banco Santander, S.A.
SDRT	stamp duty reserve tax
SEC or US Securities and Exchange Commission	the United States government agency having primary responsibility for enforcing the federal securities laws and regulating the securities industry/stock market
Shareholder or RBS Shareholder	holder of Ordinary Shares
Sharesave Schemes	the Sharesave Schemes and Sharesave Plans adopted by the Company described in paragraph 13 of Part XII of this document
stock account	an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited
subsidiary undertaking	as defined in section 258 of the Companies Act
Takeover Code	the City Code on Takeovers and Mergers
TRY	Turkish new lira, the lawful currency of Turkey
UAE	United Arab Emirates
UBS	UBS Limited of 1 Finsbury Avenue, London EC2M 2PP
UK Listing Authority or UKLA	the FSA in its capacity as the competent authority for the purposes of Part VI of FSMA and in the exercise of its functions in respect of the admission to the Official List otherwise than in accordance with Part VI of FSMA
uncertificated or in uncertificated form	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
Underwriters	Goldman Sachs International, Merrill Lynch International, UBS, Banca IMI S.p.A., BNP PARIBAS, CALYON, Fortis Bank (Nederland) NY, Fox-Pitt, Kelton Limited, INGBank N.V., MEDIOBANCA Banca di Credito Finanziario S.p.A, Natixis and Santander Investment, S.A.

Underwriting Agreement	the underwriting agreement dated 22 April 2008 between the Company, the Underwriters and RBS plc relating to the Rights Issue and further described in paragraph 18 of Part XII of this document
United Kingdom or UK	the United Kingdom of Great Britain and Northern Ireland
United States or US	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
US Exchange Act	the United States Securities Exchange Act of 1934, as amended
US Holder	a beneficial owner of Rights and New Shares that is, for US federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to US federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for US federal income tax purposes
US Securities Act	the United States Securities Act 1933, as amended

ANNEX A

THREE-YEAR TRACK RECORD OF ABN AMRO

ABN AMRO and RBS both prepare their financial statements in accordance with International Financial Reporting Standards (“IFRS”) and there are no material differences between them in the application of IFRS. Accordingly, the net assets and profit for the year of ABN AMRO under RBS’s accounting policies as at and for each of the years ending 31 December 2007, 2006 and 2005 are unchanged from those reported under ABN AMRO’s accounting policies.

The financial information for ABN AMRO referenced below has been extracted from ABN AMRO’s audited financial statements for the three years ended 31 December 2007, 2006 and 2005 published by ABN AMRO in its Annual Report on Form 20-F for the year ended 31 December 2007.

ABN AMRO reports its financial statements in euros.

The consolidated financial statements of ABN AMRO and its subsidiaries for the three years ended 31 December 2007, 2006 and 2005 included in the Annual Report on Form 20-F of ABN AMRO for the year ended 31 December 2007 are incorporated by reference into this document. Ernst & Young Accountants has issued an unqualified auditor’s report on the consolidated financial statements of ABN AMRO and its subsidiaries for each of the three years ended 31 December 2007, 2006 and 2005.

