

Letter to shareholders

Financial results for the year ended 31 December 2008
and the 2009 Annual General Meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to what action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser (who, in the United Kingdom, should be authorised under the Financial Services and Markets Act 2000).

If you have sold or transferred all your shares in The Royal Bank of Scotland Group plc please pass this document and the accompanying proxy form to the stockbroker, bank or other agent through whom you made the sale or transfer, for transmission to the purchaser or transferee.

This document is being sent for information only to certain categories of share option holders.

The attention of shareholders is drawn to the notice of the Annual General Meeting of the company which appears in Section 1 of this letter. The Annual General Meeting will be held on Friday, 3 April 2009 at 1.00 p.m. in the Edinburgh International Conference Centre, The Exchange, Morrison Street, Edinburgh.

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Philip Hampton
Chairman



PO Box 1000
Gogarburn
Edinburgh EH12 1HQ

Telephone: 0131 556 8555

9 March 2009

Dear Shareholder

I have pleasure in sending you our 2008 Annual Review and Summary Financial Statement, or our full Report and Accounts. I also have pleasure in inviting you to attend our Annual General Meeting which will be held on Friday 3 April 2009. The Notice of Meeting and supporting information accompany and form part of this letter.

At the meeting we will have the opportunity to discuss the Group's performance and future strategy.

We are writing to you separately about the General Meeting also to be held on 3 April 2009 in connection with the Placing and Open Offer and redemption of the Preference Shares held by HM Treasury.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Philip Hampton', written in a cursive style.

Section 1

Notice of Meeting

Notice is hereby given that the forty-first Annual General Meeting of the members of The Royal Bank of Scotland Group plc will be held in the Edinburgh International Conference Centre, The Exchange, Morrison Street, Edinburgh on 3 April 2009, at 1.00 p.m. for the following purposes:

1. To receive and approve the accounts for the financial year ended 31 December 2008 and the reports of the directors and auditors thereon.
2. To approve the Remuneration Report contained within the Report and Accounts for the financial year ended 31 December 2008.
3. To elect Philip Hampton as a director.
4. To elect Stephen A M Hester as a director.
5. To elect John McFarlane as a director.
6. To elect Arthur "Art" Ryan as a director.
7. To re-appoint Deloitte LLP as auditors.
8. To authorise the Audit Committee to fix the remuneration of the auditors.
9. To create additional ordinary shares.
10. To renew the directors' authority to allot ordinary shares.
11. To renew the directors' authority to allot shares on a non-pre-emptive basis.
12. To permit the holding of General Meetings at 14 days' notice.

The resolutions to be proposed as additional business at the Annual General Meeting in respect of items 9 to 12 above are set out in full in Appendix 1 to the circular letter to shareholders dated 9 March 2009 of which this notice forms part.

Information on all the resolutions is contained in section 2.

By order of the board,

Miller McLean
Secretary

36 St Andrew Square, Edinburgh
25 February 2009

Notes:

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the company gives notice that only those shareholders entered on the register of members of the company at close of business on 1 April 2009 will be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register after close of business on 1 April 2009 will be disregarded in determining the rights of any person to attend or vote at the meeting.
2. Every member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to exercise all or any of the member's rights to attend, speak and vote at the meeting. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the company. A form appointing a proxy is enclosed with this notice and may be returned in the enclosed pre-paid envelope. To be effective, it must be completed and be received at the company's transfer office at The Pavilions, Bridgwater Road, Bristol BS99 6ZY by 1.00 p.m. on Wednesday 1 April 2009.
3. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
4. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 2 above and 5 below does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the company.
5. CREST members who wish to appoint and/or give instructions to a proxy or proxies through the CREST electronic proxy appointment service may do so through the issuer's agent (ID 3RA50) by the latest time for receipt of proxy appointments specified above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. The company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
6. The following documents will be available for inspection at the company's registered office and at Linklaters LLP, One Silk Street, London EC2Y 8HQ during normal business hours until the close of the Annual General Meeting and at the place of the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting:
 - (i) copies of executive directors' service contracts; and
 - (ii) copies of letters of appointment for non-executive directors.
7. As at 25 February 2009 (being the last practicable day prior to the printing of this notice) the issued share capital of the company conferring the right to vote at the Annual General Meeting consisted of 39,456,004,899 ordinary shares of 25p each carrying one vote each, 400,000 5½ per cent cumulative preference shares of £1 each carrying four votes each, and 500,000 11 per cent cumulative preference shares of £1 each carrying four votes each. Therefore the total number of voting rights in the company as at 25 February 2009 is 39,459,604,899.
8. In order to facilitate voting by corporate representatives at the Annual General Meeting, arrangements will be put in place at the meeting to follow the procedure set out in the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives. Please see www.icsa.org.uk for further details of this procedure or contact the company's registrar on 0870 702 0135.

Section 2

Information on the Resolutions to be proposed at the Annual General Meeting

At the meeting there will be a number of items of ordinary business. These are:

Report and Accounts (resolution number 1) You will be asked to approve the 2008 Report and Accounts.

Remuneration Report (resolution number 2) You will be asked to approve the Remuneration Report. The Remuneration Report can be found in the Governance section of the Report and Accounts and a summary is included in the Annual Review and Summary Financial Statement.

Election of Directors (resolutions numbered 3 to 6) Under the company's articles of association, any director appointed since the last Annual General Meeting and any directors with more than three years' service since their last re-election must seek election or re-election. In addition to myself, Stephen Hester, John McFarlane, and Art Ryan were appointed since the last Annual General Meeting and therefore are standing for election. This year there are no directors who require to offer themselves for re-election.

Both of the non-executive directors offering themselves for election, namely John McFarlane and Art Ryan are highly experienced and have a broad knowledge of the international financial services industry. In view of their career experience and connections with other organisations, the Board considers that they each bring valuable skills to the Board and provide an objective perspective.

The Combined Code requires that, when non-executive directors are proposed for election, confirmation is given that, following formal evaluation, their performance continues to be effective and demonstrates commitment to the role of non-executive director. I am very pleased to give this confirmation in relation to my non-executive colleagues who are seeking election.

Biographical details of all the directors are contained in the Annual Review and Summary Financial Statement and in the Governance section of the Report and Accounts.

Auditors (resolutions numbered 7 and 8) You will be asked to vote on the re-appointment of Deloitte LLP as the company's auditors until the next Annual General Meeting, and to authorise the Audit Committee to fix the auditors' remuneration. The company's Audit Committee has recommended to the Board that Deloitte LLP be re-appointed. Details of the auditors' remuneration can be found in Note 5 of the Notes on the Accounts of the Report and Accounts.

In addition you will be asked to vote on the following items of additional business:

Creation of Additional Ordinary Shares (resolution number 9) This resolution will, if approved, increase the company's authorised share capital by the creation of a further 30 billion ordinary shares of 25 pence each. Ordinary shares are issued from time to time in connection with employee share schemes and certain corporate transactions. This increase of 67% in the current authorised ordinary share capital of the company will provide flexibility in future, but the directors' authority to allot the shares will be limited by resolutions 10 and 11. There are no plans to allot ordinary shares in the ordinary course other than in connection with employee share schemes. The relevant resolution is set out in Appendix 1.

The authorities required in relation to the Group's proposed Placing and Open Offer will be dealt with in the communication for the General Meeting to approve that transaction.

Renewal of Annual Authority to allot Ordinary Shares (resolution number 10) This resolution will, if approved, renew the directors' authority to allot unissued ordinary share capital until the Annual General Meeting in 2010. As indicated above ordinary shares may be issued from time to time in connection with employee share schemes and certain corporate transactions.

The authority is in two parts. Part (i) restricts the directors' authority to allot shares up to an aggregate nominal value of £3,288,000,408 (representing one-third of the company's issued ordinary share capital on 25 February 2009 (the latest practicable date before the printing of the notice)). The company has passed resolutions on this basis at the Annual General Meeting for a number of years.

In November 2008 a report to the Chancellor of the Exchequer was produced by the Rights Issue Review Group which recommended certain actions to streamline the rights issue process. As a consequence, the Association of British Insurers ("ABI") amended its guidance on directors' authorities to allot shares. The new guidance states that ABI members would support resolutions authorising the allotment of an additional one-third of the issued ordinary share capital provided that the additional authority can only be used for fully pre-emptive rights issues. Part (ii) of the authority confers on the directors authority to issue shares up to an aggregate nominal value of £3,288,000,408, representing one-third of the company's issued share capital, but only in connection with a rights issue. In accordance with the new ABI guidance, in the event that the general and additional authority was used and:

- the number of ordinary shares in issue is thereby increased, in aggregate, by more than one-third; and
- in the case of any issue being in whole or part by way of a fully pre-emptive rights issue, where the monetary proceeds exceed one-third (or such lesser relevant proportion) of the pre-issue market capitalisation of the company,

all members of the Board who wish to remain in office will stand for re-election at the next Annual General Meeting of the company following the decision to make the issue in question.

There are no plans to allot ordinary shares in ordinary course other than in connection with employee share schemes, and the intention of Part (ii) of the authority is to preserve maximum flexibility and to keep the company in line with what we expect will become standard practice for listed companies. The relevant resolution is set out in Appendix 1.

The authorities required in relation to the Group's proposed Placing and Open Offer will be dealt with in the communication for the General Meeting to approve that transaction.

Renewal of Annual Authority to allot Shares free from pre-emption restrictions (resolution number 11) This resolution (which will be proposed as a special resolution and requires the approval of three-quarters of the votes cast at the meeting) will, if approved, renew the directors' authority to allot equity securities (as defined in the Companies Act 1985, which includes the company's ordinary shares) for cash, free from the pre-emption restrictions set out in the Companies Act 1985. This authority, which will expire at the end of the Annual General Meeting in 2010 (or on 3 July 2010 if earlier), is limited to allotments of shares up to an aggregate nominal value of £493,200,061 (representing 5% of the issued ordinary share capital of the company) and to allotments in connection with a rights issue and any scrip dividend scheme. The authority will also include any sale by the company of shares held as treasury shares. The relevant resolution is set out in Appendix 1.

The directors intend to observe the institutional guidelines in respect of allotments of shares for cash. These presently require that the annual authority should not exceed 5% of the issued share capital and that no more than 7½% of the issued ordinary share capital should be allotted for cash on a non pre-emptive basis in any rolling three-year period.

Notice Periods for General Meetings (resolution number 12) The implementation of the EU Shareholder Rights Directive in the UK will take place by 3 August 2009. The Directive stipulates that listed companies must provide 21 days' notice of a general meeting. The Directive does however allow companies to retain a 14 day notice period provided that certain conditions are met including the passing of an appropriate resolution at an Annual General Meeting. The proposed resolution, which will be proposed as a special resolution, will enable the company to retain the flexibility of holding general meetings (other than other Annual General Meetings) at 14 days' notice after the Directive is brought into force in the UK. The approval will be effective until the company's next Annual General Meeting, when it is intended that a similar resolution will be proposed.

Recommendation

The directors consider that all the proposals described in this letter are in the best interests of the company and its shareholders as a whole, and recommend all shareholders to vote in favour of all the resolutions, as the directors intend to do in respect of their own beneficial holdings.

Section 3

General information in relation to the Annual General Meeting and Report and Accounts

Report and Accounts

Unless you have elected for electronic communication you will have received either:

- (1) the full "Report and Accounts". This is sent only to shareholders who have asked to receive it or who have not previously had the opportunity of choosing which document they wish to receive; or
- (2) the "Annual Review and Summary Financial Statement" which includes the Chairman's statement, the Group Chief Executive's review and Divisional review. The main difference from the Report and Accounts is that the accounting information has been summarised.

If you wish to receive only the Annual Review and Summary Financial Statement in future, you do not need to take any action. However, if you wish to receive the Report and Accounts, please complete and return the yellow coloured form (if you have not previously done so) in the enclosed pre-paid envelope.

No matter what you decide, you may subsequently change your mind at any time by writing to our Registrar or by completing and returning the form which will be included each year with the Annual Review and Summary Financial Statement.

Shareholder Questions

At the Annual General Meeting we will respond to questions relating to the business of the meeting. You can also write to us with your questions at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or contact us at rbsagm2009@computershare.co.uk and we will respond to your questions as soon as possible. Our customer services and shareholder enquiries teams at the meeting will also be pleased to help you.

Forms of Proxy and voting at the Annual General Meeting

A Form of Proxy is enclosed which covers all resolutions to be proposed at the Annual General Meeting and which is for use by holders of ordinary shares of 25p, 5½% cumulative preference shares of £1 and 11% cumulative preference shares of £1. If you are a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights, please read note 3 to the Notice of the Meeting.

Completed Forms of Proxy should be returned in the pre-paid envelope as soon as possible, but in any event no later than 1.00 p.m. on Wednesday 1 April 2009. In addition, it is now possible to appoint and instruct your proxy electronically by following the instructions on the enclosed Form of Proxy. Completion of a Form of Proxy will not prevent you from attending and voting at the Annual General Meeting if you so wish. To appoint more than one proxy (each of whom must be appointed to exercise rights attached to different shares held by you), see Note 2 on the reverse of the Form of Proxy.

At the Annual General Meeting we will disclose, for each resolution, the total of the proxy votes received and any votes cast at the meeting, the proportion for and against each resolution and the number of votes withheld. Votes withheld will not be counted in the calculation of the proportion of votes 'for' and 'against' a resolution.

Voting at the Annual General Meeting in respect of each resolution will be conducted by way of a poll. The directors believe it is important that the intentions of all members who register a vote are fully taken into account. Voting on a poll is more transparent and equitable, since it allows the votes of all shareholders who wish to vote to be taken into account, and it reflects evolving best practice. Shareholders who attend the meeting will still be able to ask questions relevant to the business of the meeting prior to voting on the resolutions.

Arrangements for Shareholders in need of assistance at the Annual General Meeting

Special arrangements have been made to help shareholders in need of assistance. An induction loop will be available for shareholders who are hard-of-hearing and shareholders wishing to use this service should ask the ushers for directions to the seats with the optimum signal. There will also be facilities for shareholders who are wheelchair users. Anyone who accompanies a shareholder who is in need of assistance will be admitted to the meeting.

Contact Details

Shareholder enquiries Registrar Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6ZZ Telephone: 0870 702 0135 Facsimile: 0870 703 6009	Group Secretariat The Royal Bank of Scotland Group plc PO Box 1000 Business House F Gogarburn Edinburgh EH12 1HQ Telephone: 0131 556 8555 Facsimile: 0131 626 3081	Registered office 36 St Andrew Square Edinburgh EH2 2YB Telephone: 0131 556 8555 website www.rbs.com	Auditors Deloitte LLP Chartered Accountants and Registered Auditors Edinburgh
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Appendix 1

The following resolutions (numbered as in the Notice of Meeting) will be proposed as additional business at the Annual General Meeting of the company convened for 3 April 2009 at 1.00 p.m. in the Edinburgh International Conference Centre, The Exchange, Morrison Street, Edinburgh.

Resolutions 11 and 12 will be proposed as special resolutions.

9 Ordinary Resolution

That the authorised share capital of the company be increased by £7,500,000,000 by the creation of an additional 30,000,000,000 ordinary shares of 25p each in the capital of the company, such shares forming one class with the existing ordinary shares and having attached thereto the respective rights and privileges and being subject to the limitations and restrictions set out in the Articles of Association of the company.

10 Ordinary Resolution

(i) That the authority conferred on the Directors by paragraph (1) of Article 13(B) of the company's Articles of Association be renewed for a period commencing on the date of passing of this resolution and ending at the conclusion of the Annual General Meeting in 2010 and for that purpose the "Section 80 amount" shall be £3,288,000,408; and further

(ii) that the Directors be and they are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 to exercise all the powers of the company to allot equity securities (within the meaning of Section 94 of the said Act) in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them, up to an aggregate nominal amount of £3,288,000,408 during the period commencing on the date of the passing of this resolution and expiring on the conclusion of the Annual General Meeting in 2010 save that the company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired;

(iii) the foregoing authorities are in addition and without prejudice to any other subsisting authority conferred upon the Directors pursuant to the said Section 80, to the extent unused.

11 Special Resolution

That subject to the passing of the preceding resolution, the power conferred on the Directors by paragraph (2) of Article 13(B) of the company's Articles of Association be renewed for the period ending at the conclusion of the Annual General Meeting in 2010 or on 3 July 2010, whichever is the earlier, and for that purpose the "Section 89 amount" shall be £493,200,061.

12 Special Resolution

That a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice.

CITY CENTRE MAP

EICC, The Exchange, Morrison Street, Edinburgh EH3 8EE

T: 0131 300 3000 F: 0131 300 3030

W: www.eicc.co.uk E: info@eicc.co.uk

The main entrance to the EICC is on Morrison Street where there is a coach drop off point.

Access to the EICC Loading Bay is from the West Approach Road.

There are a number of car parks within walking distance of the EICC, they are marked on the map. For further details on car parking please visit our website.

Please note that there are a number of one way streets in close proximity to the EICC. There are also roadworks in the area which may increase journey times and restrict availability of parking.

