

**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 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.



## **The Royal Bank of Scotland Group plc**

*(incorporated under the Companies Acts 1948 to 1967 and registered with  
Registered No. SC045551)*

### **Circular and Notice of General Meeting**

**Your attention is drawn to the letter from your Chairman set out on page 3 of this document which includes the recommendation to vote in favour of the Resolution to be proposed at the General Meeting.**

Notice of the General Meeting to be held on 6 February 2019 is set out in Section 1 of this document. Forms of Proxy for use by shareholders are enclosed. To be valid, Forms of Proxy should be completed, signed and returned in accordance with the notes to the Notice of General Meeting and the Forms of Proxy. The General Meeting will be held on 6 February 2019 at 3.00 p.m. in the RBS Conference Centre, RBS Gogarburn, Edinburgh EH12 1HQ.

## TABLE OF CONTENTS

	<u>Page</u>
Chairman's Letter to Shareholders . . . . .	3
Section 1 Notice of General Meeting . . . . .	4
Section 2 Information on the Resolution to be proposed at the General Meeting . . . . .	8
Section 3 Action to be taken by Ordinary Shareholders and Cumulative Preference Shareholders . . . . .	10
Appendix 1 Directed Buyback Contract/Share Purchase Deed . . . . .	11

## DEFINITIONS

In this document, the following expressions have the following meaning unless the context otherwise requires:

**"Company"** means The Royal Bank of Scotland Group plc.

**"Cumulative Preference Shares"** means the 5.5 per cent. cumulative preference shares and the 11 per cent. cumulative preference shares in the share capital of the Company.

**"Directors"** means the directors of the Company from time to time.

**"Group"** means the Company, its subsidiaries and subsidiary undertakings from time to time.

**"HM Treasury"** means The Commissioners of Her Majesty's Treasury.

**"Listing Rules"** means the Listing Rules of the Financial Conduct Authority.

**"Ordinary Shares"** means the ordinary shares of £1.00 each in the capital of the Company.

**"PRA"** means the Prudential Regulation Authority or such other authority having primary supervisory authority with respect to the Group from time to time.

**"Resolution"** means the special resolution to approve the terms of the Directed Buyback Contract providing for off-market purchases from HM Treasury or its nominee of fully paid ordinary shares in the capital of the Company as set out in Section 1.



Gogarburn  
PO Box 1000  
Edinburgh EH12 1HQ  
17 January 2019

Dear Shareholder,

### **Off-market purchases of Ordinary Shares**

I am writing to invite you to attend a General Meeting, to be held at 3.00 p.m. on 6 February 2019 at the RBS Conference Centre, RBS Gogarburn, Edinburgh EH12 1HQ at which we will seek your approval to make off-market purchases of Ordinary Shares from HM Treasury (or its nominee).

The Notice of Meeting is set out in Section 1.

We would like to draw your attention to Section 2, which sets out the background to, and gives further information on, the Resolution (Authority to make off-market purchases of Ordinary Shares from HM Treasury).

The Directors consider it may, in certain circumstances, be in the best interests of the Company and its shareholders for the Company to purchase its own shares from HM Treasury (or its nominee). The Company may agree with HM Treasury to make off-market purchases of its Ordinary Shares at such times and on such number of occasions as the Directors may determine:

- (a) by way of one or more standalone purchases;
- (b) through a non-discretionary, broker-managed directed trading programme (subject to certain parameters); or
- (c) in conjunction with any offer or sale by HM Treasury (or its nominee) by way of or including an institutional placing.

Any such off-market purchases shall be made at the relevant market price on the date the Ordinary Shares are contracted to be purchased or, if made in conjunction with an institutional placing by HM Treasury (or its nominee), at the placing or offering price as determined through an open-market bookbuilding process, and otherwise on the terms and conditions of the Directed Buyback Contract, which are summarised in Section 2.

Authority to enter into the Directed Buyback Contract will give the Company the flexibility, if appropriate at the relevant time and with the agreement of HM Treasury, to help facilitate the return of the Company to full private ownership through the use of the Company's excess capital. The Directors will only make off-market purchases with HM Treasury's agreement and where, in light of market conditions prevailing generally at the time, they consider that such off-market purchases will be in the best interests of shareholders as a whole. Neither the Company nor HM Treasury would be under an obligation to agree to make such off-market purchases and would only do so subject to regulatory approval at the time.

Under Chapter 11 of the Listing Rules, entering into the Directed Buyback Contract with HM Treasury constitutes a related party transaction. However, the proposed off-market purchase is treated as a "smaller" related party transaction under Listing Rule 11.1.10R and as such does not require the approval of independent holders of Ordinary Shares. If the Company wishes to purchase more than 4.99 per cent. of its issued share capital from HM Treasury in a 12-month period or the transaction would otherwise exceed the "smaller" related party transaction limits set out in the Listing Rules (including when aggregated with any other relevant transactions), the Company will seek approval from its independent shareholders for the relevant arrangements.

Under the Companies Act 2006, HM Treasury and its nominee are not permitted to vote the Ordinary Shares to which this Resolution relates (being 4.99 per cent. of the Company's Ordinary Share capital). HM Treasury and its nominee have, in any event, agreed not to vote any of the Ordinary Shares held by them at the time of the General Meeting.

### **Recommendation**

The Board considers that the Resolution is in the best interests of the Company and its shareholders as a whole and unanimously recommends that all shareholders vote in favour of the Resolution as the members of the Board intend to do, or to procure, in respect of their own beneficial shareholdings.

Yours sincerely,

Howard Davies  
Chairman

## Section 1

### Notice of General Meeting

**NOTICE IS HEREBY GIVEN** that a **GENERAL MEETING** of The Royal Bank of Scotland Group plc (the “**Company**”) will be held on 6 February 2019 at the RBS Conference Centre, RBS Gogarburn, Edinburgh EH12 1HQ at 3.00 p.m. for the purposes of considering and, if thought fit, passing the following resolution:

#### **SPECIAL RESOLUTION**

#### **Authority to make off-market purchases of ordinary shares from HM Treasury**

That the terms of the contract between the Company and The Commissioners of Her Majesty’s Treasury (“**HM Treasury**”) (a copy of which has been produced to the meeting and made available at the Company’s registered office for not less than 15 days ending with the date of this meeting) (the “**Directed Buyback Contract**”) providing for off-market purchases (as defined by section 693(2) of the Companies Act 2006) from HM Treasury or its nominee of fully paid ordinary shares in the capital of the Company (“**Ordinary Shares**”) at such times and at such prices and in such numbers and otherwise on the other terms and conditions set out in the Directed Buyback Contract, be and are hereby approved and authorised for the purposes of section 694 of the Companies Act 2006 and the Company be and is hereby authorised to make, subject to HM Treasury’s agreement, such off-market purchases from HM Treasury or its nominee, provided that:

- (a) the authority hereby conferred shall, unless previously varied, revoked or renewed, expire at the conclusion of the next Annual General Meeting of the Company, or 5 February 2020 (whichever is earlier); and
- (b) where the Company concludes a contract to purchase Ordinary Shares pursuant to the authority hereby conferred prior to the expiry of such authority (which will or may be executed wholly or partly after such expiry), it may make a purchase of Ordinary Shares pursuant to such contract as if the authority had not expired.

#### **Explanatory notes to the Resolution**

The Resolution will be proposed as a special resolution and requires the approval of three quarters of the votes cast at the meeting. If this Resolution is approved, it will grant the Company authority to make, subject to HM Treasury’s agreement, off-market purchases of Ordinary Shares from HM Treasury (or its nominee).

The Directed Buyback Contract is included in Appendix 1 and a summary of the material terms of the Directed Buyback Contract is set out in Section 2.

The authority will expire at the next Annual General Meeting of the Company or 5 February 2020 (whichever is earlier).

The Directors consider it may, in certain circumstances, be in the best interests of shareholders for the Company to purchase Ordinary Shares from HM Treasury (or its nominee). The Company may agree with HM Treasury to make off-market purchases of its Ordinary Shares at such times and on such number of occasions as the Directors may determine, by way of one or more standalone purchases of Ordinary Shares, through a non-discretionary, broker-managed directed trading programme (subject to certain parameters) or in conjunction with any offer or sale by HM Treasury (or its nominee) of Ordinary Shares by way of or including an institutional placing. Any such off-market purchases shall be made at the relevant market price on the date the Ordinary Shares are contracted to be purchased or, if made in conjunction with an institutional placing by HM Treasury (or its nominee), at the placing or offering price as determined through a book building process and otherwise on the terms and conditions of the Directed Buyback Contract, which are summarised in Section 2.

Authority to enter into the Directed Buyback Contract will give the Company the flexibility, if appropriate at the relevant time, to help facilitate the return of the Company to full private ownership through the use of the Company’s excess capital. The Directors will only make off-market purchases with HM Treasury’s agreement and where, in light of market conditions prevailing generally at the time, they consider that such off-market purchases will be in the best interests of shareholders generally.

The Company will also require regulatory approval from the PRA for any off-market purchases of Ordinary Shares.

The Company will cancel or hold as treasury shares the Ordinary Shares it purchases off-market pursuant to the authority conferred in the Resolution. Holding any of the Ordinary Shares as treasury shares may give the Company the ability to cancel such shares at a later date, or re-issue treasury shares quickly and cost effectively, and may provide the Company with additional flexibility in the management of its capital base, including the allotment of Ordinary Shares in relation to its employee share schemes. No dividends will be paid on Ordinary Shares while held in treasury, and no voting rights will attach to them.

The total number of options and conditional share awards that may be satisfied by the issue of Ordinary Shares as at 15 January 2019, the latest practicable date prior to publication of the Notice of Meeting, are in respect of 200,325,541 Ordinary Shares, which represent 1.66 per cent. of the current issued Ordinary Share capital and would represent 1.75 per cent. if the full authority to purchase Ordinary Shares off-market were to be used and such repurchased Ordinary Shares were to be cancelled.

By order of the Board of Directors of the Company.

Aileen Taylor

Company Secretary

Date: 17 January 2019

The Royal Bank of Scotland Group plc  
Registered in Scotland No SC045551  
Registered Office: 36 St Andrew Square  
Edinburgh EH2 2YB

Notes:

1. **Entitlement to attend and vote:** Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, as amended, the Company gives notice that only those shareholders entered on the register of members of the Company at close of business on 4 February 2019, or, if the General Meeting is adjourned, on the register of members of the Company 48 hours before the time of the adjourned meeting, will be entitled to attend or vote at the General Meeting in respect of the number of shares registered in their name at that time. In each case, changes to entries on the register after close of business on 4 February 2019 will be disregarded in determining the rights of any person to attend or vote at the meeting and the number of votes any person may cast at the meeting.
2. **Appointment of proxies:** Every member entitled to attend, speak and vote at the General Meeting is entitled to appoint a proxy or proxies to attend, speak and vote instead of the member. A proxy need not be a member of the Company. A member may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by a member. A form to appoint a proxy is enclosed with this Notice of Meeting and may be returned in the enclosed pre-paid envelope. To appoint a proxy, (a) the form of proxy, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), must be completed and sent to the Company's transfer office at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, or (b) the proxy appointment must be lodged using the CREST Proxy Voting Service in accordance with Note 5 below, or (c) the proxy appointment must be registered electronically on the website at [www.rbs.com/e-proxy](http://www.rbs.com/e-proxy), in each case so as to be received no later than 3:00 p.m. on 4 February 2019. The appointment of a proxy will not prevent a member from subsequently attending and voting at the meeting in person.
3. **Indirect Investors:** Any person to whom this Notice of Meeting has been sent, whose shares are held on their behalf by another person and who has been 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 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. **Nominated Persons:** The statement of the rights of shareholders in relation to the appointment of proxies in Notes 2 above and 5 below do not apply to Nominated Persons. The rights described in these Notes can only be exercised by shareholders.
5. **Crest proxy appointment service:** 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 generated by the CREST system) 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. Please refer to the CREST manual at [www.euroclear.com/en](http://www.euroclear.com/en)
6. **Issued capital and voting rights:** As at 15 January 2019 (being the latest practicable date prior to the printing of this Notice of Meeting), the issued share capital of the Company conferring the right to vote at the General Meeting consisted of 12,048,660,047 Ordinary Shares carrying four votes each on a poll, 400,000 5.5 per cent. cumulative preference shares carrying four votes each on a poll and 500,000 11 per cent. cumulative preference shares carrying four votes each on a poll. Therefore, the total number of voting rights in the Company as at 15 January 2019 was 48,198,240,188.

## 7. Directors' beneficial holdings:

<u>Director</u>	<u>Number of Shares</u>
Ross McEwan . . . . .	2,302,031
Howard Davies . . . . .	80,000
Frank Dangeard . . . . .	5,000
Alison Davis . . . . .	20,000
Patrick Flynn . . . . .	—
Morten Friis . . . . .	20,000
Robert Gillespie . . . . .	25,000
Katie Murray . . . . .	34,282
Brendan Nelson . . . . .	12,001
Baroness Noakes . . . . .	41,000
Mike Rogers . . . . .	20,000
Mark Seligman . . . . .	20,000
Lena Wilson . . . . .	6,000

8. **Questions:** Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or good order of the meeting that the question be answered.
9. **Corporate representatives:** Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
10. **Website giving information about the meeting:** A copy of this Notice of Meeting and other information required by section 311A of the Companies Act 2006 can be found at [www.rbs.com](http://www.rbs.com).
11. **Electronic address:** You may not use any electronic address provided in either this Notice of Meeting or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.
12. **Documents available for inspection:** The Directed Buyback Contract will be available for inspection at the Company's registered office at 36 St Andrew Square, Edinburgh EH2 2YB and at Linklaters LLP, One Silk Street, London EC2Y 8HQ during normal business hours until the close of the General Meeting and at the place of the General Meeting for at least 15 minutes prior to and during the General Meeting.

## Section 2

### Information on the Resolution to be proposed at the General Meeting

#### Directed Buyback Contract

HM Treasury's stated policy objective for its shareholding in the Company is to return those shares to the private sector when it represents value for money to do so and market conditions allow. On 4 August 2015 and 7 June 2018, HM Treasury announced the sale of 5.4 per cent. and 7.7 per cent., respectively, of the Ordinary Shares in issue as at such dates. The Company expects HM Treasury to continue to assess options to execute sales of the Company's Ordinary Shares. Authority to enter into the Directed Buyback Contract will give the Company the flexibility, if appropriate at the relevant time and with the agreement of HM Treasury, to help facilitate the return of the Company to full private ownership through the use of the Company's excess capital.

Under the proposed terms of the Directed Buyback Contract to be entered into between the Company and HM Treasury, the Company may agree with HM Treasury to make off-market purchases of its Ordinary Shares at such times and on such number of occasions as the Directors may determine:

- (a) by way of one or more standalone purchases;
- (b) through a non-discretionary, broker-managed directed trading programme (subject to certain parameters); or
- (c) in conjunction with any offer or sale by HM Treasury by way of or including an institutional placing.

Neither the Company nor HM Treasury would be under an obligation to agree to make such off-market purchases and would only do so subject to regulatory approval at the time.

Under the proposed terms of the Directed Buyback Contract, an off-market purchase from HM Treasury (or its nominee) would only be made, provided that:

- (a) the Resolution has been approved by the requisite majority of shareholders;
- (b) the price payable by the Company to HM Treasury (or its nominee) will:
  - (i) subject to paragraph (x) below, be the relevant market price per Ordinary Share on the date the Ordinary Share is contracted to be purchased as determined by the Directors; and
  - (ii) be greater than or equal to the nominal value of an Ordinary Share at the relevant time (being £1.00 at the date of this Notice of General Meeting); and
  - (iii) be less than or equal to the higher of:
    - A.** 105 per cent. of the average of the midmarket quotations for an Ordinary Share 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
    - B.** that stipulated by Commission-adopted Regulatory Technical Standards pursuant to Article 5(6) of the Market Abuse Regulation (2014/596/EU);
- (c) the consideration payable by the Company to HM Treasury (or its nominee) for any off-market purchase pursuant to the Directed Buyback Contract expressed as a percentage of the Company's market capitalisation at the date of such off-market purchase (the "**Consideration Percentage**") shall not (when aggregated with the Consideration Percentage for any other purchases of Ordinary Shares by the Company from HM Treasury (or its nominee) within the previous 12 months) exceed 4.99 per cent.;
- (d) the number of Ordinary Shares which the Company may purchase from HM Treasury (or its nominee) shall, without prejudice to paragraph (y) below, not exceed such number of Ordinary Shares that, when aggregated with any other purchases of Ordinary Shares by the Company from HM Treasury (or its nominee) within the previous 12 months, equals 4.99 per cent. of the Company's Ordinary Share capital in issuance (i) at the time of the relevant off-market purchase or (ii) on the date of the Directed Buyback Contract (whichever is lower); and



- (e) the proposed off-market purchase will, when aggregated with any other related party transactions entered into between the Company or any member of its corporate group and HM Treasury (or an associate) within the previous 12 months and which has not been approved by shareholders, be treated as a “smaller” related party transaction under Listing Rule 11.1.10R.

In addition, an off-market purchase from HM Treasury in conjunction with an offer or sale by HM Treasury (or its nominee) of Ordinary Shares by way of or including an institutional placement would only be made provided that:

- (x) the price payable by the Company to HM Treasury (or its nominee) will be the same price per Ordinary Share payable by institutional investors in the share offering as determined through an open-market bookbuilding process; and
- (y) the number of Ordinary Shares which the Company may purchase from HM Treasury (or its nominee) in such an off-market purchase shall not exceed 50 per cent. of the number of Ordinary Shares, which are the subject of the relevant share offering by HM Treasury; and
- (z) any off-market purchase from HM Treasury (or its nominee) pursuant to the Directed Buyback Contract will settle immediately following and on the same business day as the settlement of the relevant share offering.

The Directed Buyback Contract shall only be entered into if the Resolution is passed. Once signed, it shall remain in force until the earlier of (a) expiry of the authority conferred by the Resolution (unless such authority is renewed); and (b) termination by agreement in writing between the Company and HM Treasury.

**Effect on HM Treasury shareholding of the exercise in full of the off-market purchase authority**

The shareholding of HM Treasury as at 15 January 2019 (being the latest practicable date prior to the publication of this document) was 7,509,483,519 Ordinary Shares.

If the Company exercises in full the authority granted by the Resolution, the shareholding of HM Treasury would be 6,908,255,383 Ordinary Shares (excluding any Ordinary Shares which may otherwise be sold by HM Treasury (or its nominee) in an institutional placement in conjunction with an off-market purchase by the Company or otherwise).

The exercise of the authority granted by the Resolution therefore has the effect of reducing HM Treasury's holding of Ordinary Shares.

### **Section 3**

#### **Action to be taken by Ordinary and Cumulative Preference Shareholders**

You will find enclosed with this document a Form of Proxy in respect of the Resolution to be proposed at the General Meeting and which is for use by the holders of Ordinary Shares and Cumulative Preference Shares. 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 General Meeting.

The completed Forms of Proxy should be returned in the pre-paid envelope as soon as possible, but in any event no later than 4 February 2019. Alternatively, it is 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 General Meeting if you so wish. To appoint more than one proxy (each of whom must be appointed to exercise rights attached to the different shares held by you), see Note 2 on the reverse of the Form of Proxy.

#### **General**

At the General Meeting the Company will disclose the total of the proxy votes received for the Resolution and any votes cast at the meeting, the proportion for and against the Resolution, and the number of votes withheld. Votes withheld will not be counted in the calculation of the proportion of votes “for” and “against” the Resolution.

Voting at the General Meeting in respect of the Resolution will be conducted by way of a poll. 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 General Meeting will still be able to ask questions relevant to the business of the meeting prior to voting on the Resolution.

## Appendix 1—Share Purchase Deed

Dated

The Royal Bank of Scotland Group plc

and

The Commissioners of Her Majesty's Treasury

### (A) Share Purchase Deed

This Deed is made on 2019 between:

- (1) **The Royal Bank of Scotland Group plc**, a company incorporated in Scotland with company number SC045551 whose registered office is at 36 St Andrew Square, Edinburgh, EH2 2YB (the "**Company**"); and
- (2) **The Commissioners of Her Majesty's Treasury** of 1 Horse Guards Road, London SW1A 2HQ ("**HM Treasury**").

#### Whereas:

- (A) HM Treasury beneficially holds Ordinary Shares (as defined below) and has publicly announced its intention to sell such shares over a period of time.
- (B) The Company and HM Treasury have agreed that the Company may, with HM Treasury's agreement, make off-market purchases of Ordinary Shares from HM Treasury (or its nominee).
- (C) Such off-market purchases of Ordinary Shares may be made at such times and on such number of occasions as the Company and HM Treasury may agree, including through a Directed Trading Programme or in conjunction with a Share Offering (each as described below).
- (D) This Deed sets out the terms and conditions of any such off-market purchase referred to in Recital (B) and constitutes the contract required by section 694 of the Companies Act 2006 for such off-market purchases of its own shares by the Company.

It is agreed as follows:

#### 1 Interpretation

In this Deed, unless the context otherwise requires, the provisions in this Clause 1 apply:

##### 1.1 Definitions

"**Approved Price Range**" means a price per Ordinary Share (exclusive of expenses) that is:

- (a) greater than or equal to the nominal value of an Ordinary Share at the relevant time (being £1.00 at the date of this Deed); and
- (b) less than or equal to the higher of:
  - (i) 105 per cent. of the average of the midmarket quotations for an Ordinary Share as derived from The Daily Official List of The London Stock Exchange for the five Trading Days immediately preceding the day on which the Ordinary Share is contracted to be purchased; and
  - (ii) that stipulated by Commission-adopted Regulatory Technical Standards pursuant to Article 5(6) of the Market Abuse Regulation (2014/596/EU);

"**Business Day**" means any day (other than a Saturday or Sunday) on which clearing banks are open for a full range of banking transactions in London;

"**Company Nominated Broker(s)**" has the meaning set out in Clause 3.2.2(i);

"**Directed Trading Programme**" means an arrangement under which one or more Company Nominated Brokers and one or more HM Treasury Nominated Brokers may (in their sole discretion and acting on behalf of the Company or HM Treasury, as the case may be) agree purchases and sales of Ordinary Shares at the Relevant Market Price on any Trading Day during a Directed Trading Programme Period;

"**Directed Trading Programme Period**" has the meaning set out in Clause 3.2.1;

"**Encumbrance**" means any pledge, mortgage, charge, lien or encumbrance or other claim;

"**FSMA**" means the Financial Services and Markets Act 2000, including any regulations made pursuant thereto;

"**HM Treasury Nominated Broker(s)**" has the meaning set out in Clause 3.2.2(ii);

"**Listing Rules**" means the Listing Rules made by the Financial Conduct Authority pursuant to section 73A of FSMA, as amended from time to time;

"**Main Market**" means the main market for listed securities of London Stock Exchange plc;

"**Off-Market Purchase Completion**" means completion of any off-market purchase of Ordinary Shares from HM Treasury (or its nominee) by the Company in accordance with Clause 4;

"**Ordinary Share**" means an ordinary share of £1.00 in the capital of the Company;

"**Relevant Market Price**" means the price per Ordinary Share prevailing as at the relevant Time of Sale as appearing on, or derived from, Bloomberg page (quote/RBS:LN) (or any successor page) in respect of the Ordinary Shares or,

when the Time of Sale is outside of trading hours on the Main Market, such price as at the most recent close of trading on the Main Market;

**"Share Offering"** means any offer or sale of Ordinary Shares by HM Treasury (or its nominee) by way of or including an institutional placement, whether to persons located in the United Kingdom and/or in any other jurisdiction excluding, for the avoidance of doubt, any sale of Ordinary Shares to the Company pursuant to this Deed;

**"Share Offering Price"** means, in respect of any Share Offering, the price at which each Ordinary Share is to be sold in such Share Offering (as determined through a bookbuilding process) or, if different, the price at which each Ordinary Share is to be sold in the institutional placement that forms part of that Share Offering (as determined through a bookbuilding process);

**"Shareholder Approval"** means a special resolution of the Company's members approving the terms of this Deed pursuant to section 694 of the Companies Act 2006 and authorising the Company to make off-market purchases from HM Treasury (or its nominee);

**"Time of Sale"** means the time and date on which the Company (or the Company Nominated Broker(s) acting on its behalf) agrees to make an off-market purchase other than an off-market purchase in conjunction with a Share Offering;

**"Trading Day"** means any day during which the Ordinary Shares are traded on the Main Market; and

**"Wholly Owned Entity"** has the meaning set out in Clause 11.2.

## 1.2 Interpretation

- 1.2.1 The Interpretation Act 1978 shall apply to this Deed in the same way as it applies to an enactment.
- 1.2.2 References to a statutory provision include any subordinated legislation made from time to time under that provision.
- 1.2.3 References to a statutory provision include that provision as from time to time modified, supplemented, replaced or re-enacted so far as such modification, supplement, replacement or re-enactment applies or is capable of applying to any transactions entered into in accordance with this Deed.
- 1.2.4 References in this Deed to clauses are to Clauses of this Deed.
- 1.2.5 Headings shall be ignored in construing this Deed.

## 2 Right to make off-market purchases of Ordinary Shares

2.1 Subject to the agreement of HM Treasury, the Company shall be entitled to make an off-market purchase of Ordinary Shares from HM Treasury (or its nominee), provided that:

- 2.1.1 Shareholder Approval has been obtained;
- 2.1.2 the proposed off-market purchase will, when aggregated with any other related party transactions (as such term is defined in the Listing Rules) entered into between the Company or any member of its corporate group and HM Treasury (or an associate (as such term is defined in the Listing Rules) of HM Treasury) within the previous 12 months and which has not been approved by the Company's members be treated as a "smaller" related party transaction under Listing Rule 11.1.10R;
- 2.1.3 without prejudice to Clause 2.2.2, the proposed off-market purchase will not result in more than the lower of 4.99 per cent. of:
  - (i) the Company's issued ordinary share capital as at the date of this Deed; and
  - (ii) the Company's issued ordinary share capital as at the date of the relevant off-market purchase, having been purchased within the previous 12 months;
- 2.1.4 subject to Clause 2.2.1, the price payable by the Company to HM Treasury (or its nominee) for any off-market purchase of an Ordinary Share shall be the Relevant Market Price provided that such price is within the Approved Price Range;
- 2.1.5 the consideration payable by the Company to HM Treasury (or its nominee) for any off-market purchase pursuant to this Deed expressed as a percentage of the Company's market capitalisation at the date of such off-market purchase (the **"Consideration Percentage"**) will not (when aggregated with the Consideration Percentage for any other purchases by the Company from HM Treasury (or its nominee) within the previous 12 months) exceed 4.99 per cent.;
- 2.1.6 written confirmation has been received from a sponsor in accordance with Listing Rule 11.1.10R(2)(b); and
- 2.1.7 the Prudential Regulation Authority has approved the relevant off-market purchase.

2.2 If an off-market purchase is made in conjunction with a Share Offering pursuant to Clause 3.2, then the following additional conditions shall apply:

- 2.2.1 the price payable by the Company to HM Treasury (or its nominee) for such off-market purchase of an Ordinary Share shall be the relevant Share Offering Price (and, for the avoidance of doubt, Clause 2.1.4 shall not apply); and
- 2.2.2 the number of Ordinary Shares which the Company may elect to purchase off-market at the time of such Share Offering shall not exceed 50 per cent. of the number of Ordinary Shares, which are the subject of the relevant Share Offering.

### 3 Procedure for off-market purchases

- 3.1** In respect of any off-market purchase other than an off-market purchase conducted through a Directed Trading Programme or in conjunction with a Share Offering:
- 3.1.1** the Company or HM Treasury may notify the other party in accordance with Clause 7 of the number of Ordinary Shares it offers to purchase or sell, as the case may be, off-market at the Relevant Market Price and the proposed Time of Sale and completion date for such off-market purchase and the time by which such offer must be accepted;
  - 3.1.2** on receipt of any notification pursuant to Clause 3.1.1, HM Treasury or the Company, as the case may be, may notify the other party in accordance with Clause 7 of its decision to accept the Company's offer to purchase or HM Treasury's offer to sell, as the case may be, off-market such number of Ordinary Shares on the terms specified in the notification. Any notification pursuant to this Clause 3.1.2 must be given to the other party by the time specified in the notification of the offer. If HM Treasury or the Company does not so notify the other party pursuant to this Clause 3.1.2 then it shall be deemed to have declined the relevant offer; and
  - 3.1.3** on giving notice of the acceptance of an offer pursuant to Clause 3.1.2, HM Treasury shall be bound to sell and the Company shall be bound to purchase the number of Ordinary Shares specified in the relevant notice at the Relevant Market Price at the relevant Off-Market Purchase Completion.
- 3.2** In respect of any off-market purchase conducted through a Directed Trading Programme:
- 3.2.1** the Company and HM Treasury shall agree to commence a Directed Trading Programme for a specified period of time which shall end no later than the date of termination of this Deed (the "**Directed Trading Programme Period**");
  - 3.2.2** on or prior to the commencement of the Directed Trading Programme Period:
    - (i) the Company shall appoint one or more broker(s) (the "**Company Nominated Broker(s)**") to purchase on behalf of the Company (at the sole discretion of such Company Nominated Broker(s)) Ordinary Shares from HM Treasury or its nominee (or the HM Treasury Nominated Broker(s) acting on behalf of HM Treasury) at the Relevant Market Price (subject to a maximum price) on any Trading Day for the duration of the Directed Trading Programme Period (up to a maximum aggregate number of Ordinary Shares); and
    - (ii) HM Treasury shall appoint one or more broker(s) (the "**HM Treasury Nominated Broker(s)**") to sell on behalf of HM Treasury (at the sole discretion of such HM Treasury Nominated Broker(s)) Ordinary Shares to the Company (or the Company Nominated Broker(s)) at the Relevant Market Price on any Trading Day for the duration of the Directed Trading Programme Period (up to a maximum aggregate number of Ordinary Shares); and
  - 3.2.3** the Company Nominated Broker(s) and the HM Treasury Nominated Broker(s) may (in their sole discretion and acting on behalf of the Company or HM Treasury, as the case may be) agree purchases and sales of Ordinary Shares in accordance with any instructions given to them by the Company and HM Treasury as the case may be (including those referred to in Clause 3.2.2) and subject to the conditions in Clause 2.1.
- 3.3** In respect of any off-market purchase in conjunction with a Share Offering:
- 3.3.1** subject to applicable laws and HM Treasury agreeing to sell Ordinary Shares to the Company, HM Treasury shall notify the Company in accordance with Clause 7 of a proposed Share Offering prior to the announcement of such Share Offering;
  - 3.3.2** on receipt of any notification pursuant to Clause 3.3.1 and subject to applicable laws, the Company shall notify HM Treasury in accordance with Clause 7 of any decision to make an off-market purchase in conjunction with the proposed Share Offering referred to in Clause 3.3.1. Any such notice shall specify the number of Ordinary Shares to be purchased off-market and may not be given following the announcement of such Share Offering; and
  - 3.3.3** on giving notice pursuant to Clause 3.3.2, the Company shall be bound to purchase and, if it agrees to sell, HM Treasury shall be bound to sell the number of Ordinary Shares specified in the relevant notice at the relevant Share Offering Price at the relevant Off-Market Purchase Completion.
- 3.4** Subject to applicable law, each party shall provide the other party with a reasonable opportunity to comment on any references to any proposed off-market purchase in any announcement relating to such an off-market purchase or, if applicable, a Share Offering.

### 4 Off-Market Purchase Completion

- 4.1** On any Off-Market Purchase Completion:
- 4.1.1** the Company (or the Company Nominated Broker(s) acting on its behalf) shall pay to HM Treasury (or the HM Treasury Nominated Broker(s) acting on its behalf) an amount equal to the product of (i) the number of Ordinary Shares the subject of the relevant off-market purchase; and (ii) the price payable for each Ordinary Share in accordance with Clause 2.1.4 or 2.2.1, as applicable; and
  - 4.1.2** HM Treasury (or the HM Treasury Nominated Broker(s) acting on its behalf) shall procure the transfer to the Company (or the Company Nominated Broker(s) acting on its behalf) of Ordinary Shares the subject of the relevant off-market purchase.

**4.2** An Off-Market Purchase Completion shall take place at such time as the Company (or the Company Nominated Broker(s) acting on its behalf) and HM Treasury (or the HM Treasury Nominated Broker(s) acting on its behalf) may agree in writing, provided that if an off-market purchase is made in conjunction with a Share Offering it shall take place at the same time as, or immediately following and on the same business day as, settlement of the relevant Share Offering.

**4.3** If any condition in Clause 2 is not satisfied or, in the case of an off-market purchase in conjunction with a Share Offering, the relevant Share Offering does not proceed to settlement, neither the Company (or the Company Nominated Broker(s) acting on its behalf) nor HM Treasury (or the HM Treasury Nominated Broker(s) acting on its behalf) shall have any obligations in respect of the relevant proposed off-market purchase or any claim against the other in respect of it.

**4.4** Ordinary Shares sold in an off-market purchase pursuant to this Deed shall be sold free from Encumbrances.

## **5 Termination**

**5.1** Subject to Clause 5.2, this Deed shall terminate with immediate effect and all rights and obligations of the parties under this Deed shall cease forthwith upon the earlier of:

**5.1.1** the date that the Shareholder Approval expires; and

**5.1.2** agreement in writing between the parties to terminate this Deed, provided that, if either party requests that this Deed be terminated, the other party shall not unreasonably withhold or delay its agreement.

**5.2** Termination of this Deed shall be without prejudice to the rights of either party that may have arisen prior to termination. The whole of this Clause 5 and Clauses 6 to 15 shall survive termination of this Deed.

## **6 Warranties/Undertakings**

**6.1** HM Treasury warrants and undertakes to the Company that the following warranties will be true and not misleading (i) as at the date of each notification by the Company or HM Treasury pursuant to Clause 3, (ii) on each Trading Day during a Directed Trading Programme Period on which a Company Nominated Broker agrees to purchase Ordinary Shares from HM Treasury or its nominee (or the HM Treasury Nominated Broker(s) acting on behalf of HM Treasury), and (iii) as at the date of each Off-Market Purchase Completion:

**6.1.1** each of the Ordinary Shares the subject of the relevant off-market purchase is beneficially owned by the Crown and HM Treasury (or its nominee) has the power to sell or procure the sale of the Ordinary Shares the subject of the relevant off-market purchase, in each case free from all Encumbrances; and

**6.1.2** the Ordinary Shares the subject of the relevant off-market purchase are all fully paid.

## **7 Notices**

**7.1** Any notice or other communication in connection with this Deed shall be in writing and shall be sufficiently given or served if delivered or sent:

**7.1.1** in the case of the Company to:  
Corporate Governance & Regulatory Affairs  
RBS Gogarburn  
PO BOX 1000  
Edinburgh  
EH12 1HQ

Attention: The Company Secretary

with a copy to:

Head of Investor Relations  
The Royal Bank of Scotland Group plc  
280 Bishopsgate  
London  
EC2M 4RB

Email address: Matthew.Waymark@rbs.co.uk

**7.1.2** in the case of HM Treasury to:

1 Horse Guards Road  
London SW1A 2HQ

Attention: Director, Financial Stability

Email address: FinancialStabilityGMS@HMTreasury.gov.uk

**7.2** A copy of each notice delivered by email shall be sent by hand or post to the recipient in accordance with Clause 7.1, but failure to send such a copy shall not render any notice ineffective.

**7.3** Any such notice or other communication shall be delivered by hand, post or email. In the absence of evidence of earlier receipt, a notice or other communication is deemed given:

**7.3.1** if sent by email, when sent (provided that an email shall be deemed not to have been sent if the sender receives a delivery failure notification); or

**7.3.2** if delivered by hand or post, at the time of actual delivery.

**7.4** A party may change its notice details for the purposes of Clause 7.1 by notifying the other party of such change, provided that such notification shall only be effective on:

**7.4.1** the date specified in the notification as the date on which the change is to take place, being not less than five Business Days after the date of such notice; or

**7.4.2** if no date is specified or the date specified is less than five Business Days after the date on which notice is given, the date falling five Business Days after notice of any such change has been given.

## **8 Entire agreement**

The Deed contains the whole agreement between the parties in relation to the subject matter of this Deed to the exclusion of any terms implied by law which may be excluded by contract and supersedes any previous written or oral agreement between the parties in relation to the matters dealt with in this Deed.

## **9 Stamp Duty**

The Company shall pay (or, if applicable, reimburse HM Treasury, its nominee and/or any HM Treasury Nominated Broker for) all stamp duty or stamp duty reserve tax (and associated fines, penalties and interest) arising as a result of:

**9.1.1** the execution and delivery of this Deed;

**9.1.2** the purchase or repurchase of (or agreement to purchase or repurchase) Ordinary Shares by, or the transfer (or agreement to transfer) Ordinary Shares to, the Company, a Company Nominated Broker or any other agent or nominee of the Company as contemplated in this Deed (whether pursuant to a Directed Trading Programme, in conjunction with a Share Offering or otherwise); and/or

**9.1.3** the transfer (or agreement to transfer) Ordinary Shares to any HM Treasury Nominated Broker acting as agent for HM Treasury (and not, for the avoidance of doubt, as principal) as contemplated in this Deed,

in each case other than:

(i) fines, penalties or interest payable as a result of any unreasonable delay or wilful default by HM Treasury or a HM Treasury Nominated Broker in accounting for the relevant stamp duty or stamp duty reserve tax; and

(ii) for the avoidance of doubt, stamp duty or stamp duty reserve tax (and associated fines, interest and penalties) arising in respect of: (x) transfers of, or agreements to transfer, Ordinary Shares to persons other than the Company, any HM Treasury Nominated Broker, any Company Nominated Broker or another agent or nominee of the Company; or (y) transfers of, or agreements to transfer, Ordinary Shares to an HM Treasury Nominated Broker where the Ordinary Shares are to be purchased from such broker by a person other than the Company or a Company Nominated Broker or any other agent or nominee of the Company.

## **10 Further Assurances**

Each party agrees to do all things and execute all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the provisions of this Deed and the transactions contemplated by it.

## **11 Assignment**

**11.1** Subject to Clause 11.2, neither party to this Deed shall be permitted to assign, transfer or novate, or purport to assign, transfer or novate, all or any of its rights, benefits or obligations under this Deed to any other person without the prior written consent of the other party.

**11.2** HM Treasury shall be permitted to transfer, assign or novate its rights and obligations under this Deed to any entity which is wholly owned, directly or indirectly, by HM Treasury (a "**Wholly Owned Entity**"). In the event of any such assignment, transfer or novation of rights or obligations, HM Treasury shall procure that, immediately prior to any such Wholly Owned Entity ceasing to be wholly owned directly or indirectly by HM Treasury, such rights or obligations (as appropriate) shall be novated, assigned or transferred to HM Treasury or to any other Wholly Owned Entity.

## **12 Counterparts**

This Deed may be executed in any number of counterparts. All counterparts together will be taken to constitute one instrument.

## **13 Variation**

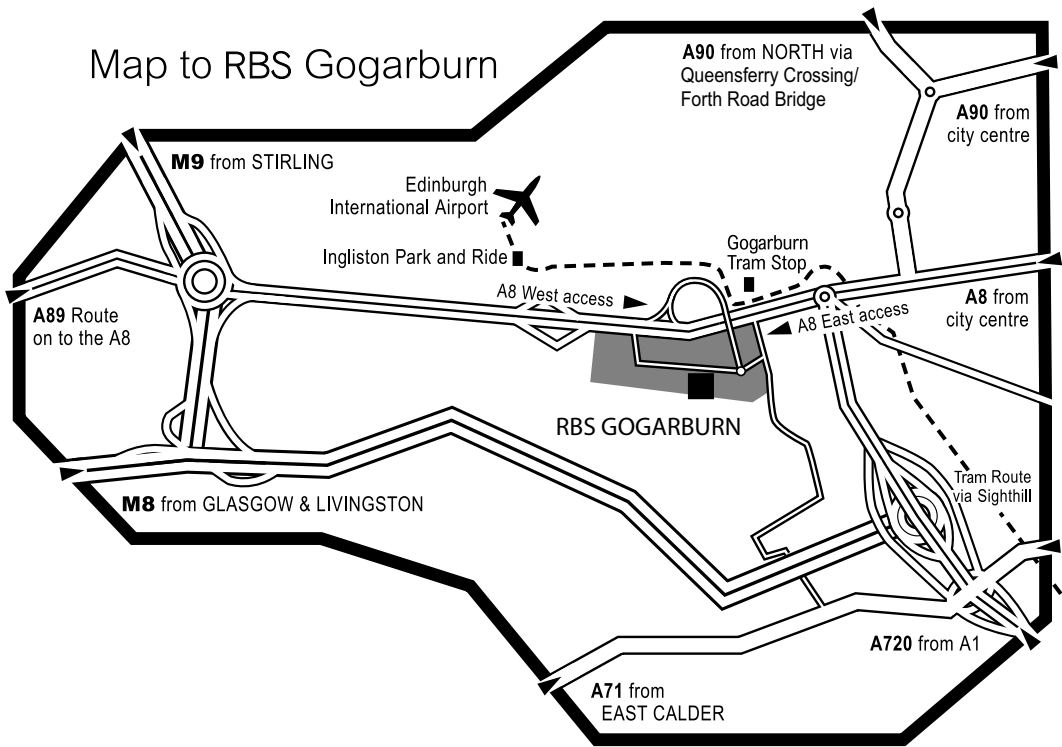
No variation of this Deed shall be effective unless in writing and signed by or on behalf of each party.

## **14 Third Party Rights**

A person who is not a party to this Deed has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of, or enjoy any benefit under, this Deed.

## **15 Governing Law and Jurisdiction**

This Deed and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law. Each party submits to the exclusive jurisdiction of the English courts to settle any dispute which may arise out of or in connection with this Deed.



RBS Gogarburn is served by the Lothian Bus Skylink 300 and 400 services. For up to date information, including details of routes, please visit [www.lothianbuses.com](http://www.lothianbuses.com). Shareholders may also park at the Ingliston Park and Ride and use the Skylink 300 or 400 Lothian bus service to connect to RBS Gogarburn.

RBS Gogarburn is also served by the Edinburgh Trams. For up to date information, including details of the Tram route, please visit [www.edinburghtrams.com](http://www.edinburghtrams.com).

Edinburgh Gateway Railway Station is close to RBS Gogarburn and Edinburgh Park and South Gyle stations are approximately two miles away. Waverley Station is in the city centre, approximately eight miles from the site. To find out more about public transport to RBS Gogarburn, visit [www.travelinescotland.com](http://www.travelinescotland.com).

Limited private parking is available at RBS Gogarburn. To book a car parking space please email [GogarburnCCReception@rbs.co.uk](mailto:GogarburnCCReception@rbs.co.uk). Alternatively you can call 0131 626 9000.