



Letter to shareholders

Report and Accounts for the year ended 31 December 2016
and the 2017 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.

The attention of shareholders is drawn to the Notice of Meeting of the Company which appears in Section 1 of this letter. The Annual General Meeting will be held on Thursday, 11 May 2017 at 2.00 p.m. in the RBS Conference Centre, RBS Gogarburn, Edinburgh EH12 1HQ.

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31 March 2017

Dear Shareholder

Annual General Meeting

I have pleasure in inviting you to attend our Annual General Meeting which will be held in the RBS Conference Centre, RBS Gogarburn, Edinburgh EH12 1HQ on Thursday, 11 May 2017 at 2.00 p.m.

I enclose a copy of our 2016 Strategic Report, or our full Report and Accounts for the year ended 31 December 2016. Copies of these documents are also available on our website at www.rbs.com. Information on viewing the AGM via a live webcast can be found on page 17 of this document.

The Notice of Meeting and supporting information accompany and form part of this letter. A location map is provided at the end of this document.

Under the Listing Rules of the Financial Conduct Authority applicable to a company with a controlling shareholder, the election or re-election by the shareholders of an independent director must be approved by an ordinary resolution and also be separately approved by the shareholders who are not controlling shareholders. Therefore, for Resolutions 7 to 16, additional approval by the independent shareholders will be required, which in each case will be calculated and confirmed immediately after the corresponding Resolution.

We announced on 28 October 2016 as part of our Q3 results announcement our intention to implement a capital reorganisation in 2017 in order to increase the Company's distributable reserves to provide greater flexibility for future distributions and preference share redemptions.

Accordingly, Resolution 27 seeks the approval of shareholders to cancel the Company's share premium account and capital redemption reserve. Further information is provided on pages 11 and 12.

Recommendation

The Board considers that all of the Resolutions in the Notice of Meeting are in the best interests of the Company and its shareholders as a whole and we unanimously recommend that you vote in favour of them. Your Directors intend to vote in favour of all of the Resolutions in respect of their own beneficial holdings with the exception of Resolution 2 regarding the Directors' Remuneration Policy on which the Directors will not vote as they are recipients of the policy.

Yours sincerely

Howard Davies
Chairman

Section 1

Notice of Meeting

Notice is hereby given that the forty-ninth Annual General Meeting of the members of The Royal Bank of Scotland Group plc will be held in the RBS Conference Centre, RBS Gogarburn, Edinburgh EH12 1HQ on Thursday, 11 May 2017, at 2.00 p.m. to consider, and if thought fit, pass the Resolutions below:

The Resolutions numbered 1 to 19, 22, 25 and 28 are proposed as ordinary resolutions and must receive more than 50% of the votes cast in order to be passed. The Resolutions numbered 20, 21, 23, 24, 26 and 27 are proposed as special resolutions, and must receive at least 75% of the votes cast in order to be passed.

Report and Accounts for the year ended 31 December 2016

- 1. That the reports of the Directors and auditors and the audited accounts for the financial year ended 31 December 2016 be received.**

The Directors are required to present the Report and Accounts for the year ended 31 December 2016 at the Annual General Meeting.

Directors' Remuneration Policy

- 2. That the Directors' Remuneration Policy in the Directors' Remuneration Report, as set out on pages 94 to 99 of the Report and Accounts for the year ended 31 December 2016, be approved.**

Directors' Remuneration Report

- 3. That the Annual Report on Remuneration in the Directors' Remuneration Report, as set out on pages 88 and 100 to 111 of the Report and Accounts for the year ended 31 December 2016, be approved.**

You will be asked to approve two parts of the Directors' Remuneration Report. The Directors' Remuneration Report can be found on pages 88 to 111 of the Report and Accounts for 2016.

The Directors' Remuneration Policy sets out the proposed forward-looking remuneration policy for Directors and is subject to a binding shareholder vote, in line with UK legislation. The policy details each element of remuneration for Directors and how this supports delivery of strategic objectives and alignment with shareholders. Provided that the new remuneration policy is approved by shareholders, it will be capable of operating for a maximum period of three years, until the 2020 Annual General Meeting at the latest. Once approved, payments can only be made to Directors if they are in accordance with the agreed policy. If the Company wishes to make amendments to the policy during this period then a new policy must be submitted to shareholders for approval.

The Directors' Remuneration Policy was last approved by shareholders at the Annual General Meeting of the Company in 2014. The new policy introduces a number of changes to remuneration arrangements for Directors. The maximum potential variable pay for Executive Directors will be reduced by up to 40% while the performance assessment will be based on factors that the Executive Directors would reasonably be expected to achieve in the prevailing circumstances, encouraging sustainable performance within risk appetite. The focus is on meaningful, long-term shareholding to create alignment with shareholders and the shareholding requirements for Executive Directors will be substantially increased. Variable pay will continue to be delivered in shares and will be subject to increased clawback and retention periods in line with regulatory requirements. Feedback from major shareholders has been considered during the development of the proposed policy. Full details of the new remuneration policy can be found on pages 88 to 99 of the Report and Accounts for 2016.

The Annual Report on Remuneration details how pay arrangements have been implemented over the last financial year and is subject to an annual advisory shareholder vote.

Election and Re-election of Directors

4, 5 and 6 (Chairman, Chief Executive and Chief Financial Officer)

To re-elect by separate resolutions : (a) Howard Davies as a Director, (b) Ross McEwan as a Director and (c) Ewen Stevenson as a Director.

7 to 16 (Non-executive Directors)

To elect or re-elect by separate resolutions: (a) Sandy Crombie as a Director, (b) Frank Dangeard as a Director, (c) Alison Davis as a Director, (d) Morten Friis as a Director, (e) Robert Gillespie as a Director, (f) Penny Hughes as a Director, (g) Brendan Nelson as a Director, (h) Baroness Noakes as a Director, (i) Mike Rogers as a Director and (j) Mark Seligman as a Director and in each case on the condition that, unless that election or re-election is either approved at this Annual General Meeting by those persons entitled to vote on the Resolution for election or re-election that are not controlling shareholders (as defined in rule LR 6.1.2A R of the Listing Rules of the Financial Conduct Authority) or approved by a further ordinary resolution within 120 days of this Annual General Meeting, that election or re-election shall be for a fixed term of either 120 days or, if shorter, the period ending when a further ordinary resolution for the election or re-election of that director is lost.

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. However, in accordance with the recommendations set out in the UK Corporate Governance Code (the "CG Code"), all of the Company's Directors will retire and submit themselves for election or re-election on an annual basis.

All of the non-executive Directors offering themselves for election or re-election 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 CG Code requires that, when non-executive Directors are proposed for election or re-election, confirmation is given that, following formal evaluation, their performance continues to be effective and demonstrates commitment to the role of non-executive Director. The performance of the non-executive Directors who served during 2016 has been formally evaluated by the Chairman and each is considered to be effective and to demonstrate commitment to the role.

Under the Listing Rules of the Financial Conduct Authority, the election or re-election by the shareholders of an independent Director must be approved by an ordinary resolution and separately approved by the shareholders who are not controlling shareholders (as defined in rule LR 6.1.2A R of the Listing Rules). If the ordinary resolution to approve the election or re-election of an existing independent Director is passed, but the separate approval is not given, the Listing Rules permit an existing director to remain in office pending a further ordinary resolution to approve the election or re-election of that Director. That resolution may only be voted on within 120 days of the vote on the initial resolution. Therefore Resolutions 7 to 16 each provide that if the separate approval is not given, the appointments will continue for only 120 days from the Annual General Meeting unless a further ordinary resolution for election or re-election is passed. If a further ordinary resolution to approve the election or re-election of that Director is lost, the relevant appointment will cease upon that resolution being lost.

The separate approval of the shareholders who are not controlling shareholders ("independent shareholders") requires receipt of more than 50% of the votes cast in order to be given. The voting will be calculated immediately after the vote on the corresponding resolution. Since the votes of independent shareholders can be identified and calculated, the dual approval requirement in the Listing Rules does not necessitate two resolutions in relation to each Director, and a single vote will be sufficient.

For Resolutions 7 to 16 the results of the votes will be announced at the Annual General Meeting and released to the Regulatory News Service to disclose the level of support received for each independent Director from shareholders and independent shareholders.

The Listing Rules further require the Company to detail any existing or previous relationships, transactions or arrangements an independent Director has or has had with the controlling shareholder or to confirm that there has been no such relationship, transaction or arrangement.

As at the date of this Notice of Meeting, the Solicitor for the affairs of Her Majesty's Treasury as Nominee for Her Majesty's Treasury is the only controlling shareholder of the Company for these purposes. All other shareholders are independent shareholders.

Whilst not considered a relationship or an arrangement with the controlling shareholder, as noted in the Report and Accounts for 2016, Baroness Noakes was between 2003 and May 2010 a shadow Treasury minister and served on the Conservative front bench in a number of roles. She has never been a Government Minister. Baroness Noakes is also a member of the House of Lords; the House of Lords is part of the UK Parliament and is not part of the government. Other than the above, the Company has nothing to disclose in relation to these further Listing Rule requirements.

The effectiveness of all independent Directors in place at the time was considered as part of the annual Board evaluation process in 2016 and the Board is able to confirm that all of the independent Directors standing for election or re-election are effective.

Independence of all Directors is continually monitored and the procedure in place for authorising actual or potential conflicts of interest is set out in page 64 of the Governance Report in the Report and Accounts for 2016. All of the independent Directors meet the CG Code requirements to be treated as independent. Frank Dangeard and Mark Seligman were considered independent upon appointment.

The Group Nominations and Governance Committee takes independence into account when recommending new directors to the Board and the operation of the Group Nominations and Governance Committee is set out in more detail on pages 69 and 70 of the Report and Accounts for 2016.

Biographical details of all the Directors are contained in the Report and Accounts for 2016 and in the Strategic Report with the exception of Mark Seligman who was appointed as a non-executive Director with effect from 1 April 2017. His biographical details are below.

Mark Seligman

Mark (61) is a former senior investment banker with broad financial services knowledge. Mark also has substantial FTSE 100 Board experience gained in various industry sectors, including as a Committee Chair and Senior Independent Director. During his executive career, he held various senior roles at Credit Suisse/BZW (including Deputy Chairman, CSFB Europe and Chairman, UK Investment Banking, CSFB); and previously SG Warburg (ultimately as Managing Director, Head of Advisory).

He is currently the Senior Independent Director of Kingfisher plc, and a non-executive Director of Smiths Group plc. He has previously served as a non-executive Director of BG Group plc and as Deputy Chairman of G4S plc.

Re-appointment of Auditors and Auditors' Remuneration

- 17. That Ernst & Young LLP be re-appointed as auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at which accounts are laid before the Company.**
- 18. That the Group Audit Committee be authorised to fix the remuneration of the auditors.**

You will be asked to vote on the re-appointment of Ernst & Young LLP as the Company's auditors until the next Annual General Meeting, and to authorise the Group Audit Committee to fix the auditors' remuneration. The Company's audit committee has recommended to the Board that Ernst & Young LLP be re-appointed. Details of the auditors' remuneration can be found in Note 5 of the Notes on the Accounts in the Report and Accounts for the year ended 31 December 2016.

Renewal of General Allotment Authority

19. That the Directors be and are hereby generally and unconditionally authorised for the purpose of section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for, or convert any security into, shares in the Company:

- (i) up to an aggregate nominal amount of £3,947,457,024 (such amount to be reduced by any allotment or grant made under sub-paragraph (ii) below in excess of £3,947,457,024); and
- (ii) comprising equity securities (as defined in section 560 of the Companies Act 2006) up to a maximum nominal amount of £7,894,914,047 (such amount to be reduced by any shares allotted or rights granted under sub-paragraph (i) above) in connection with an offer by way of a rights issue (that is, an offer to subscribe for further securities by means of the issue of a renounceable letter or other negotiable document which may be traded for a period before payment for the securities is due):
 - (a) to holders of ordinary shares in proportion (as nearly as may be practicable) to their existing holdings; and
 - (b) to holders of other equity securities if this is required by the rights of those equity securities or, if the Directors consider it necessary, as permitted by the rights of those equity securities;

and so that the Directors may make such exclusions or other arrangements as they consider expedient in relation to treasury shares, fractional entitlements, record dates, securities represented by depositary receipts, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any relevant regulatory body or stock exchange or any other matter.

This authority shall expire at the conclusion of the next Annual General Meeting of the Company, or close of business on 30 June 2018 (whichever is earlier), save that the Company may before such expiry (A) pursuant to the authority conferred by sub-paragraph (i), make any offer or agreement which would or might require shares to be allotted, or rights to subscribe for, or convert securities into, shares to be granted, after such expiry and the Directors may allot shares or grant rights in pursuance of any such offer or agreement as if the authority so conferred had not expired, and (B) pursuant to the authority conferred by sub-paragraph (ii), make any 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 any such offer or agreement as if the authority so conferred had not expired.

This authority is in addition and without prejudice to any other subsisting unutilised authorities conferred upon the Directors under section 80 of the Companies Act 1985 or section 551 of the Companies Act 2006.

This Resolution will, if approved, renew the Directors' authority to allot shares or grant rights to subscribe for, or convert any security into, shares. The authority will replace the authority given to the Directors at the Annual General Meeting in 2016.

Sub-paragraph (i) of the Resolution, if passed, will give the Directors authority to allot shares, or grant rights to subscribe for, or convert any security into, shares, up to an aggregate nominal value of £3,947,457,024 representing one-third of the Company's issued Ordinary Share capital on 29 March 2017 (the latest practicable date before the printing of the Notice of Meeting).

In accordance with the institutional guidelines issued by the Investment Association, sub-paragraph (ii) of the Resolution, if passed, will give the Directors authority to allot, including the shares referred to in sub-paragraph (i) of the Resolution, shares in the Company in connection with a pre-emptive offer by way of a rights issue to shareholders up to a maximum nominal amount of £7,894,914,047, representing two-thirds of the Company's issued Ordinary Share capital on 29 March 2017 (the latest practicable date before the printing of the Notice of Meeting). As at that date, the Company did not hold any treasury shares.

The Company has passed resolutions renewing the Directors' allotment authority at the Annual General Meeting for a number of years. As part of capital planning related to macro-prudential discussions with the Prudential Regulation Authority ("PRA"), and as noted in the Report and Accounts for 2016, the Directors may consider and approve new issuances in an amount not to

exceed £300 million sold on a phased basis over the balance of 2017 and 2018 prior to the AGM to neutralise in part the capital impacts of discretionary coupon payments. Other than the above the Directors have no present intention to exercise the authority.

It is considered prudent to maintain the maximum flexibility permitted by institutional guidelines. The authority would remain in force until the end of the Annual General Meeting in 2018 or the close of business on 30 June 2018, whichever is the earlier.

Renewal of Authority to Allot Equity Securities for Cash or to sell Treasury Shares other than on a pro rata basis to Shareholders

20. That subject to the passing of Resolution 19, the Directors be and are hereby generally and unconditionally empowered pursuant to section 570 and section 573 of the Companies Act 2006 to allot equity securities (as defined in section 560 of the Companies Act 2006) for cash, either pursuant to the authority conferred by Resolution 19 or by way of a sale of treasury shares, as if section 561 of the Companies Act 2006 did not apply to any such allotment, provided that this power shall be limited to:

- (i) the allotment of equity securities in connection with an offer or issue of equity securities (but in the case of the authority granted under Resolution 19 (ii), by way of a rights issue as described in that Resolution only) to or in favour of (a) holders of ordinary shares in proportion (as nearly as may be practicable) to their existing holdings, and (b) holders of other equity securities if this is required by the rights of those securities or, if the Directors consider it necessary, as permitted by the rights of those securities, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, treasury shares, record dates, securities represented by depositary receipts, legal, regulatory or practical problems arising in, or under the laws of, any territory or the requirements of any relevant regulatory body or any stock exchange or any other matter; and**
- (ii) the allotment (otherwise than pursuant to sub-paragraph (i)), of equity securities pursuant to the authority granted under Resolution 19(i), and/or by virtue of section 560(3) of the Companies Act 2006, up to a maximum nominal amount of £592,118,554.**

This power shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, the close of business on 30 June 2018, unless previously renewed, varied or revoked by the Company in general meeting, save that the Company may before such expiry make any offer or enter into any agreement which would or might require equity securities to be allotted, or treasury shares sold, after such expiry and the Directors may allot equity securities or sell treasury shares in pursuance of any such offer or agreement as if the power conferred hereby had not expired. Compliance with the limit in sub-paragraph (ii) shall be calculated, in the case of equity securities which are rights to subscribe for, or to convert securities into, ordinary shares (as defined in section 560 of the Companies Act 2006), by reference to the aggregate nominal amount of such shares which may be allotted pursuant to such rights.

This power is in addition and without prejudice to any other subsisting unexercised powers conferred upon the Directors under section 95 of the Companies Act 1985 or section 570 of the Companies Act 2006.

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 for cash, free from the pre-emption restrictions set out in the Companies Act 2006. This authority is limited to allotments of equity securities up to an aggregate nominal value of £592,118,554 (representing 5% of the issued Ordinary Share capital of the Company), and to allotments in connection with a pre-emptive offer. This disapplication is in line with institutional shareholder guidance and in particular with the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group.

If approved, the authority will expire at the conclusion of the next Annual General Meeting of the Company, or 30 June 2018 (whichever is earlier). The Directors intend to observe the institutional guidelines in respect of allotments of shares for cash. These presently require 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.

21. That subject to the passing of Resolution 19, the Directors be and are hereby generally and unconditionally empowered pursuant to section 570 and section 573 of the Companies Act 2006, in addition to any authority granted under Resolution 20, to allot equity securities (as defined in section 560 of the Companies Act 2006) for cash, either pursuant to the authority conferred by Resolution 19 or by way of a sale of treasury shares, as if section 561 of the Companies Act 2006 did not apply to any such allotment, provided that this power shall be:

- (i) limited to the allotment of equity securities up to a maximum nominal amount of £592,118,554; and
- (ii) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice.

This power shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, close of business on 30 June 2018, but in each case, prior to its expiry, the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted after it expires, and the Directors may allot equity securities in pursuance of such offer or agreement as if this power had not expired.

The authority sought by Resolution 21 will permit the Directors to allot additional shares up to a maximum nominal value of £592,118,554, representing approximately a further 5% of the issued ordinary share capital of the Company as at 29 March 2017, otherwise than in connection with a pre-emptive offer to existing shareholders, for the purpose of financing an acquisition or specified capital investment, as contemplated by the Pre-Emption Principles described above. This additional 5% authority is sought in line with the best practice guidance issued by the Pre-Emption Group.

The Directors confirm in accordance with the Pre-emption Principles that the additional authority in Resolution 21, if granted, will be used only in connection with an acquisition or specified capital investment which is announced at the time of the allotment or which has taken place in the six months preceding the allotment and is disclosed in the announcement of the allotment. The authority will also include any sale by the Company of shares held as treasury shares.

If approved, the authority will expire at the conclusion of the next Annual General Meeting of the Company, or 30 June 2018 (whichever is earlier). The Directors intend to observe the institutional guidelines in respect of allotments of shares for cash. These presently require 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.

This Resolution will be proposed as a special resolution and requires the approval of three-quarters of the votes cast at the meeting.

Renewal of Equity Convertible Notes authority

22. That, the Directors be and are hereby generally and unconditionally authorised for the purpose of section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot Ordinary Shares in the Company or grant rights to subscribe for or to convert any security into Ordinary Shares in the Company up to an aggregate nominal amount of £1.5 billion in relation to one or more issues of Equity Convertible Notes, where the Directors consider that such an issuance of Equity Convertible Notes would be desirable, including in connection with, or for the purposes of, complying with or maintaining compliance with the regulatory requirements or targets applicable to the Group from time to time.

This authority shall expire at the conclusion of the next Annual General Meeting of the Company, or 30 June 2018 (whichever is the earlier), save that the Company may before such expiry make any offer or agreement which would or might require Ordinary Shares in the Company to be allotted, or rights to subscribe for or to convert any security into Ordinary Shares in the Company to be granted, after such expiry and the Directors may allot Ordinary Shares in the Company or grant any such rights in pursuance of any such offer or agreement as if the authority so conferred had not expired.

This authority is in addition and without prejudice to any other subsisting unutilised authorities conferred upon the Directors under section 80 of the Companies Act 1985 or section 551 of the Companies Act 2006, including the authority granted pursuant to Resolution 19 (if passed).

In response to regulatory requirements and developments and to allow the Group to manage its capital in the optimal way, the Board has determined that the Group might wish to issue further loss-absorbing capital instruments in the form of Equity Convertible Notes ("ECNs") when markets are favourable. The ECNs would convert into newly issued Ordinary Shares in the Company upon the occurrence of certain events (for example, the Group's capital ratios falling below a specified level), diluting existing holdings of Ordinary Shares. Shareholder approval was therefore sought and obtained at the Annual General Meeting on 4 May 2016 to provide the flexibility to issue ECNs if required. The Company issued ECNs in 2016 to the value of circa £2 billion equivalent to date at a £1.75 equivalent conversion price (which would in the circumstances described above result in the issue of ordinary shares with an aggregate nominal value of circa £1.16 billion). The Company has no plans to issue additional ECNs in 2017, but wishes to retain the option to do so as part of prudent capital management. Accordingly, the Board remains of the view that the Group should maintain the flexibility to issue further ECNs if it is deemed to be in the best interests of the Company to do so and has determined that the requisite shareholder authorities should be renewed. Accordingly, two resolutions will be proposed at the Annual General Meeting in connection with ECNs: one (Resolution 22) an ordinary resolution giving the Directors authority to allot Ordinary Shares or grant rights to subscribe for or to convert any security into Ordinary Shares up to an aggregate nominal amount of £1.5 billion (which is equivalent to approximately 12.67% of the issued Ordinary Share capital of the Company as at 29 March 2017, being the last practicable date before the printing of the Notice of Meeting) and the other (Resolution 23) a special resolution empowering the Directors to allot equity securities on a non pre-emptive basis, wholly for cash, up to an aggregate nominal amount of £1.5 billion (which is equivalent to approximately 12.67% of the issued Ordinary Share capital of the Company as at 29 March 2017, being the last practicable date before the printing of the Notice of Meeting), in each case in connection with the issue of ECNs.

Renewal of pre-emption rights disapplication in relation to Equity Convertible Notes

- 23. That, subject to the passing of Resolution 22 and in addition and without prejudice to any subsisting power (including the power granted pursuant to Resolutions 20 and 21 (if passed)), the Directors be and are hereby generally and unconditionally empowered pursuant to section 570 of the Companies Act 2006 to allot equity securities (as defined in section 560 of the Companies Act 2006) wholly for cash, pursuant to the authority conferred by Resolution 22 up to an aggregate nominal amount of £1.5 billion in connection with the issue of Equity Convertible Notes as if section 561 of the Companies Act 2006 did not apply to any such allotment.**

This power shall expire at the conclusion of the next Annual General Meeting of the Company, or 30 June 2018 (whichever is earlier), save that the Company may before such expiry make any offer or enter into any agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired.

This Resolution will be proposed as a special resolution and requires the approval of three-quarters of the votes cast at the meeting.

Notice Period for General Meetings

- 24. That a General Meeting of the Company other than an Annual General Meeting may be called on not less than 14 clear days' notice.**

The Companies Act 2006 extended the notice period for general meetings of a listed company to 21 days. The Companies Act 2006 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 Resolution, which will be proposed as a special resolution and requires approval of three-quarters of the votes cast at the meeting, will enable the Company to retain the flexibility of holding general meetings (other than an Annual General Meeting) on 14 clear days' notice.

It is intended that the shorter notice period will only be used where it is, in the opinion of the Directors, merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole. The approval will be effective until the Company's Annual General Meeting in 2018, when it is intended that a similar resolution will be proposed.

Political Donations

- 25. That, in accordance with section 366 of the Companies Act 2006, the Company and any company which, at any time during the period for which this Resolution has effect, is a subsidiary of the Company, be and are hereby authorised during the period commencing on the date of this Resolution and ending on the date of the Annual General Meeting of the Company to be held in 2018 or on 30 June 2018, whichever is the earlier, to: (a) make political donations to political parties and/or independent election candidates, (b) make political donations to political organisations other than political parties, and (c) incur political expenditure, provided that the aggregate amount of any such donations and expenditure shall not exceed £100,000 and the amount authorised under each of (a), (b) and (c) above shall also be limited to such amount. Such maximum amounts may consist of sums in any currency converted into sterling at such rate as the Directors may in their absolute discretion determine. For the purposes of this Resolution, the terms 'political donations', 'political parties', 'political organisations', 'independent election candidates' and 'political expenditure' shall have the meanings given to them in sections 363 to 365 of the Companies Act 2006.**

The Companies Act 2006 requires companies to seek prior shareholder approval for any political donations or political expenditure in respect of a political party or other political organisation or an independent election candidate. Neither the Company nor any of its subsidiaries has any intention of making any political donation or incurring any political expenditure. However the definitions of political donations and political expenditure used in the Companies Act 2006 are very widely drafted, and we have been advised that the definitions could include activities such as allowing staff paid leave to act as local councillors or to stand for election in local government, or parliamentary elections. In keeping with most companies, our employment policies do allow paid leave in these circumstances. Contributions to "think tanks" or bodies such as those concerned with policy review and law reform or with the representation of the business community or sections of it may also be deemed to be political donations or expenditure as defined by the Companies Act 2006.

The penalties for breach of the legislation are severe, even if the breach is inadvertent. At the Annual General Meeting in 2016 shareholders approved a resolution to protect the Company and its officers by approving political donations and expenditure of up to £100,000 per annum in aggregate across the Group. We now seek to renew this authority up to an aggregate of £100,000 which will not be used for any purpose other than a continuation of our normal business and employment practices. The approval will, if granted, expire at the conclusion of the next Annual General Meeting of the Company, or 30 June 2018 (whichever is earlier).

Authority to purchase own shares

- 26. That, the Company is generally and unconditionally authorised for the purposes of Section 701 of the Companies Act 2006 to make market purchases (within the meaning of Section 693 of the Companies Act 2006) of ordinary shares of £1.00 each in the capital of the Company, provided that:**
- (i) the maximum number of ordinary shares to be purchased is 1,184,237,107 (representing 10% of the issued Ordinary Share capital);**
 - (ii) the minimum price which may be paid for an ordinary share is £1.00 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% of the average of the midmarket 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 the Commission-adopted Regulatory Technical Standards pursuant to Article 5(6) of the Market Abuse Regulation;**

- (iv) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company following the passing of this Resolution, or 30 June 2018 (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 hereby conferred 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 hereby conferred had not expired.

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, grant the Company authority to purchase its own ordinary shares on a recognised investment exchange. The authority will be restricted to 1,184,237,107 ordinary shares as at 29 March 2017, the latest practicable date prior to publication of the Notice of Meeting, which represent 10% of the issued Ordinary Share capital. The Resolution also specifies the minimum and maximum prices at which the shares may be purchased.

The authority will expire at the next Annual General Meeting of the Company or 30 June 2018 (whichever is the earlier).

The Directors consider it may, in certain circumstances, be in the best interests of shareholders generally for the Company to purchase its own shares. The Directors will only make purchases where, in the light of market conditions prevailing at the time, they consider that such purchases will be in the best interests of shareholders generally. The Company will also require regulatory approval by the PRA for any ordinary share capital distributions.

The total number of options and conditional share awards under the Company's employee share schemes that may be satisfied by the issue of Ordinary Shares as at 29 March 2017, the latest practicable date prior to publication of the Notice of Meeting, are in respect of 203,245,477 ordinary shares, which represents 1.72% of the current issued Ordinary Share capital and would represent 1.91% if the full authority to purchase own shares were to be used.

The Company will consider holding any of its own shares that it purchases pursuant to the authority conferred in this Resolution as treasury shares. This may give the Company the ability to 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 shares in relation to employee share schemes. No dividends will be paid on shares while held in Treasury, and no voting rights will attach to them.

Authority to cancel share premium account and capital redemption reserve

- 27. That, subject to the confirmation of the Court of Session, the share premium account of the Company be cancelled and the capital redemption reserve of the Company be cancelled, in each case, as at the date of this Resolution.**

We announced on 28 October 2016 as part of our Q3 results announcement that we had reduced the carrying value of the investments in subsidiaries held in the Company by £6.0 billion to £44.7 billion. This had the effect of reducing the Company's distributable reserves by £6.0 billion to £7.2 billion. At that time, we also stated our intention to implement a capital reorganisation in 2017 in order to increase the Company's distributable reserves to provide greater flexibility for future distributions, coupon payments on Additional Tier 1 securities and legacy preference share redemptions.

Under the Companies Act 2006, the share premium account and capital redemption reserve are treated as if they were part of the share capital of the Company and are not available for distribution to shareholders. Accordingly, we are proposing to effect a cancellation of the Company's share premium account and capital redemption reserve in order to create additional distributable reserves. This will be achieved through a court-approved reduction of capital (the "**Capital Reduction**").

The Capital Reduction is subject to: (i) Resolution 27 being passed; (ii) the confirmation of the Court of Session in Edinburgh (the "**Court**") which will need to be satisfied that the Capital Reduction does not put any of the Company's creditors at risk of not being paid when due; and (iii) the registration of the court order by the Registrar of Companies.

If the Capital Reduction becomes effective, it would increase the amount of equity that is technically available for distribution to shareholders, but would not impact reported shareholders' equity in total on a consolidated basis, nor alter the Group's consolidated regulatory capital, including the Common Equity Tier 1 capital.

The Company's retained earnings as disclosed in the Annual Report and Accounts 2016 were £8.0 billion. If the Capital Reduction becomes effective, the total amount standing to the credit of the capital redemption reserve as at the date of the Resolution will be cancelled and the total amount standing to the credit of the share premium account as at the date of the Resolution will be cancelled and both amounts will be credited to retained earnings.

As at 31 December 2016, the total amount standing to the credit of the capital redemption reserve was £4.5 billion and the total amount standing to the credit of the share premium account was £25.7 billion. A Capital Reduction on this basis would create additional retained earnings of £30.2 billion for the Company.

If Resolution 27 is passed, we intend to make an application to the Court shortly after the AGM. If the Court confirms the Capital Reduction, then we would expect it to become effective by the end of June 2017.

This Resolution will be proposed as a special resolution and requires the approval of three-quarters of the votes cast at the meeting.

Sharesave

28. That, the RBS 2017 UK Sharesave Plan ("UK SAYE"), the principal terms of which are summarised in Appendix 1 to this notice and the draft rules of which are produced to the meeting (as signed by the chairman of the meeting for the purposes of identification), be approved and the Directors be authorised to:

- (i) do all such acts and things as they may consider appropriate or necessary to adopt and establish the UK SAYE including making such modifications to the UK SAYE as are considered appropriate or necessary to satisfy the requirements of Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003; and**
- (ii) establish such appendices, schedules or further plans based on the UK SAYE but modified to take account of or to comply with local tax, exchange control or securities laws in jurisdictions outside the UK, provided that any ordinary shares of the Company made available under such appendices, schedules or further plans are treated as counting against the limits on individual or overall participation contained in the UK SAYE.**

This resolution seeks authority to renew, on broadly similar terms, the Company's existing sharesave plan which expires on 24 April 2017 by authorising the Directors to establish the UK SAYE and, where appropriate, to establish new overseas savings-related options plans based on the UK SAYE. A summary of the principal terms of the UK SAYE can be found in Appendix 1 to this notice.

By order of the Board,

Aileen Taylor

Company Secretary
36 St Andrew Square, Edinburgh
31 March 2017

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 9 May 2017, or, if the Annual 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 Annual 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 9 May 2017 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 Annual 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 Annual 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, in each case so as to be received no later than 2.00 p.m. on 9 May 2017. 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 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. **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.myeuroclear.com/eui/en/reference.
6. **Issued capital and voting rights:** As at 29 March 2017 (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 Annual General Meeting consisted of 11,842,371,071 ordinary shares carrying four votes each on a poll, 400,000 5.5% cumulative preference shares carrying four votes each on a poll and 500,000 11% cumulative preference shares carrying four votes each on a poll. Therefore, the total number of voting rights in the Company as at 29 March 2017 was 47,373,084,284.
7. **Directors' beneficial holdings:** since 23 February 2017 (the date of the Report and Accounts for 2016) there have been changes to the Directors' beneficial holdings. As at 29 March 2017, (being the latest practicable date prior to the printing of this Notice of Meeting), the beneficial holdings

were as detailed below. Mark Seligman was appointed as a non-executive Director with effect from 1 April 2017.

| Director | Number of Shares |
|------------------|------------------|
| Howard Davies | 41,000 |
| Ross McEwan | 1,917,127 |
| Ewen Stevenson | 949,275 |
| Sandy Crombie | 20,000 |
| Frank Dangeard | — |
| Alison Davis | 20,000 |
| Morten Friis | 20,000 |
| Robert Gillespie | 25,000 |
| Penny Hughes | 562 |
| Brendan Nelson | 12,001 |
| Baroness Noakes | 41,000 |
| Mike Rogers | — |
| Mark Seligman | 20,000 |

8. **Major shareholders' interests:** Since 23 February 2017 and up to 29 March 2017 the Company has not received any notifications in accordance with Rule 5 of the Disclosure Guidance and Transparency Rules.
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. **Questions at the AGM:** 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.
11. **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.
12. **Website statements relating to audit concerns:** Under section 527 of the Companies Act 2006, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.
13. **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.
14. **Documents available for inspection:** The following documents 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

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 the Executive Directors' service contracts;
- (ii) copies of the letters of appointment for non-executive Directors; and
- (iii) the rules of the RBS 2017 UK Sharesave Plan.

Section 2

General information in relation to the Annual General Meeting and Report and Accounts for the year ended 31 December 2016

Report and Accounts for the year ended 31 December 2016

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

(1) the full “Report and Accounts” for the year ended 31 December 2016. 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 “Strategic Report” which includes information on the Company’s development, performance, strategy, business model, the remuneration report and the principal risks and uncertainties faced.

If you wish to change your election in this regard please contact our Registrar on +44 (0)370 702 0135 or write to Computershare at the address provided in the contact details section.

Shareholder questions

At the Annual General Meeting members attending the meeting have the right to ask questions, as stated in Note 10 of the Notice of Meeting. You can also write to us with your questions at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ or contact us at rbsagm@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 is for use by 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 Meeting.

Completed Forms of Proxy should be returned in the pre-paid envelope as soon as possible, but in any event no later than 2.00 p.m. on 9 May 2017. In addition, you may 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 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 or approval vote 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. 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.

Registration

On arrival you will be asked to present your attendance card at the registration desk. Corporate representatives, proxies and guests should also register at the registration desk.

Timings

| | | |
|----------|---|---|
| 12.30 pm | — | Doors to registration area will be opened to shareholders |
| 2.00 pm | — | AGM commences |

Security

Security checks will be carried out on entry to the venue. You may be asked to leave large bags in the cloakroom and small bags may be searched. Cameras and recording equipment are not permitted at

the meeting and anyone attempting to take photos or film the proceedings may be asked to leave. Mobile phones and other electronic equipment should be switched off before the meeting begins.

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

Special arrangements have been made to help shareholders in need of assistance. We intend to have a British Sign Language Interpreter in place during the meeting. 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.

AGM live webcast

The Annual General Meeting will be webcast live at www.rbs.com/agm. A recording will also be available for viewing from the following day.

Please note that viewing the live webcast does not enable shareholders to ask questions or to vote during the meeting.

The webcast may include question and answer sessions with shareholders present in the RBS Gogarburn Conference Centre in addition to background shots of those present at the AGM. If you attend the AGM in person, you may be included in the webcast. Please note that the broadcast footage may be viewed and/or transferred outside the European Economic Area.

Contact Details

Shareholder enquiries
Registrar
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ
Telephone: +44 (0)370 702 0135
Facsimile: +44 (0)370 703 6009

Registered office
36 St Andrew Square
Edinburgh
EH2 2YB
Telephone: +44 (0)131 556 8555
Website: www.rbs.com

RBS Corporate Governance & Regulatory Affairs
The Royal Bank of Scotland Group plc
PO Box 1000
Gogarburn
Edinburgh
EH12 1HQ
Telephone: +44 (0)131 556 8555

Auditors
Ernst & Young LLP,
Chartered Accountants
and Registered Auditors,
25 Churchill Place
Canary Wharf
London
E14 5EY

Appendix 1

Summary of the principal terms of the RBS 2017 UK Sharesave Plan (“UK SAYE”)

This summary does not form part of the UK SAYE and should not be taken as affecting the interpretation of its rules.

General

The UK SAYE is an all-employee “Save-As-You-Earn” option plan that is designed to comply with the requirements of Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003. The UK SAYE will be administered by the Board of Directors of the Company or a duly authorised committee of the Board.

Eligibility

All UK resident tax-paying employees (including the Executive Directors) of the Company and its participating subsidiaries are eligible to participate in UK SAYE provided that they satisfy the relevant eligibility criteria. The Board may also allow other employees to participate.

Timing of invitations

Invitations to participate in the UK SAYE and be granted an option will normally be made within the period of six weeks following: (i) the announcement of the Company’s results for any period (or as soon as practicable thereafter if the Company is restricted from being able to grant options or make invitations during such period); (ii) a date when any legislative or regulatory change is announced, effected or made which the Board believes may affect options to be granted under UK SAYE; or (iii) following the announcement or publication of a new prospectus in relation to certified SAYE saving arrangements. Invitations may also be issued at any other time following a Board determination that there are exceptional circumstances that justify the grant of options.

Options may not be granted more than ten years after approval of the UK SAYE by shareholders.

Savings arrangements

To participate in the UK SAYE, employees must enter into an HM Revenue & Customs (“HMRC”) approved savings arrangement under which they agree to make monthly savings contributions of a fixed amount within statutory limits (currently up to a maximum of £500 per month) for a specified savings period of three or five years. The number of shares over which an option is granted will be such that the total option price payable for those shares will correspond to the proceeds on maturity of the relevant savings arrangement.

Option price

The price payable for each share under option will be determined by the Board prior to the date on which the option is granted. The option price will not be less than 80% of the market value of a share at that time, in accordance with accepted HMRC practice.

Exercise and lapse of options

Options will normally be exercisable for a six-month period from the third or fifth anniversary of the commencement of the savings arrangement. Earlier exercise is permitted within one year of the participant’s death or within six months of the occurrence of any of the following events: cessation of employment by reason of injury, disability, redundancy or retirement; the business or company that the participant works for ceasing to be part of the RBS group; or, provided the option was granted more than three years previously, for any other reason (other than dismissal for gross misconduct).

Except where stated above, options will lapse on cessation of employment with the RBS group.

Corporate events

Options may be exercised in the event of a change of control, a court sanctioning a compromise or arrangement of the Company or a winding-up of the Company. In such circumstances, options may be exercised for a period of up to 20 days before the relevant event, or within six months of the event, to the extent of accrued savings and interest, if any, at the time of exercise. In the event of a change of control of the Company, an acquiring company may offer replacement options over shares in the acquiring company subject to complying with the statutory requirements.

UK SAYE limit

The UK SAYE may operate over new issue shares, treasury shares or shares purchased in the market. No option may be granted under the UK SAYE if, as a result, the aggregate number of shares issued or committed to be issued pursuant to grants made under the UK SAYE and during the previous ten years under all other employee share schemes adopted by the Company would exceed ten per cent of the Company's issued ordinary share capital at that time.

Treasury shares will count as shares issued or committed to be issued unless institutional investors decide that they should not count.

Variation of share capital

If there is a variation of the Company's share capital, the Board may adjust the number of ordinary shares subject to an option and/or the option price in such manner, and with effect from such date, as the Board determines to be appropriate.

Voting, dividend and other rights

Until options are exercised, participants have no voting or other rights in respect of the shares under option.

Shares issued or transferred pursuant to the UK SAYE will rank equally in all respects with the ordinary shares of the Company then in issue, except that they will not rank for any dividend or other distribution paid or made by reference to a record date falling prior to the date of exercise of the option.

Options are not transferable (except on death) and are not pensionable.

Amendments

The Board may amend the UK SAYE. The prior approval of shareholders in general meeting must be obtained for any amendment to the advantage of participants which is made to those provisions relating to eligibility, individual or overall limits, the basis for determining a participant's entitlement to, and the terms of, ordinary shares provided under UK SAYE, the adjustments that may be made in the event of any variation to the Company's ordinary share capital and the rules relating to such prior shareholder approval for amendments.

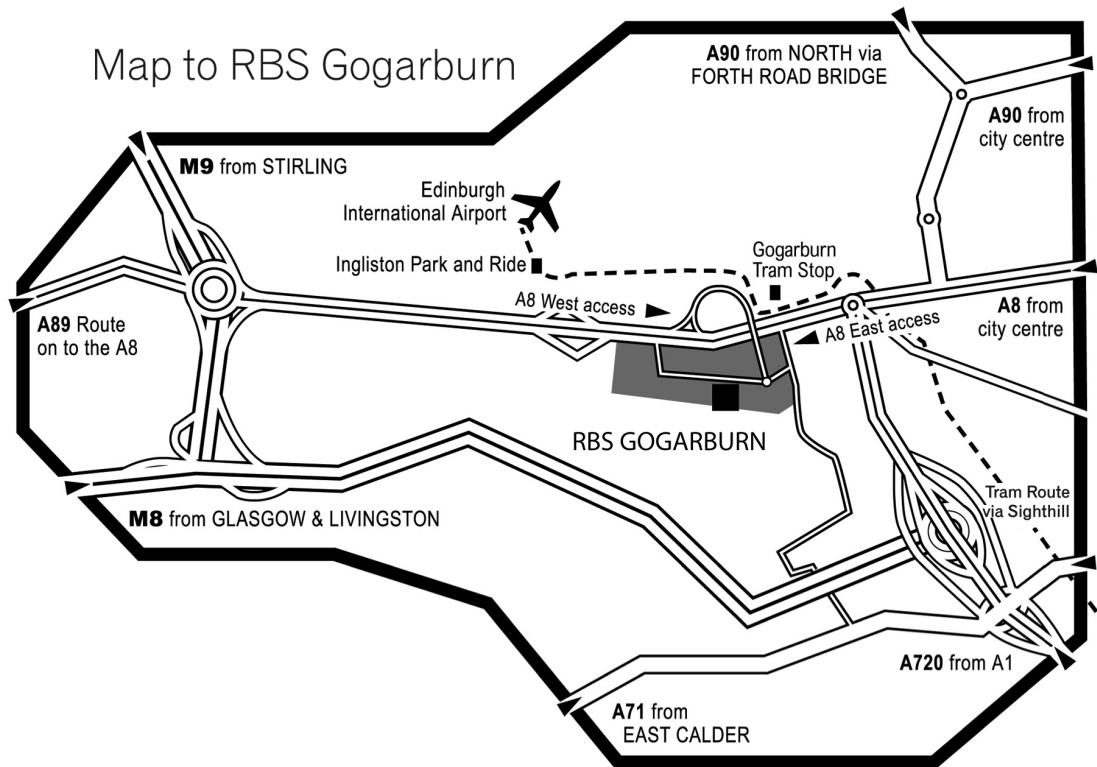
There are exceptions where the amendment is necessary to comply with the requirements of Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003, to take account of any change in legislation or regulation, to obtain and maintain favourable tax, exchange control or regulatory treatment for participants or for any group company or where the amendment is minor to benefit the administration of the UK SAYE.

Overseas plans

The shareholder resolution to approve the UK SAYE will allow the Board, without further shareholder approval, to establish appendices, schedules or further plans similar to the UK SAYE for use in overseas jurisdictions, modified as required to take account of local tax, exchange control or securities laws, regulation or practice, provided that any shares made available under such arrangements are treated as counting against the limits on individual and overall participation in the UK SAYE.

Accordingly, a replacement Irish sharesave plan, the RBS 2017 Irish Sharesave Plan, will be established. The existing Irish sharesave plan is due to expire on 24 April 2017.

This summary does not form part of the rules of the UK SAYE and should not be taken as affecting the interpretation of their detailed terms and conditions. The Board reserves the right, up to the time of the AGM, to make such amendments and additions to the rules of the UK SAYE as may be necessary to ensure that the UK SAYE complies with applicable legislation and guidance or to take account of comments of either the Prudential Regulatory Authority or the Financial Conduct Authority (which may include acting in its capacity as the UK Listing Authority) and/or as the Board otherwise sees fit, provided that any such amendments do not conflict in any material respect with this summary.



RBS Gogarburn is served by the 35 Lothian Bus to and from the city centre and the airport all day. The Edinburgh Tram line also operates to Gogarburn. For up to date information, including details of the Tram route, please visit www.edinburghtrams.com. An RBS shuttle bus will run from the Gogarburn Tram Stop and the public transport stop in RBS Gogarburn to the RBS Conference Centre.

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.

Limited private parking is available at RBS Gogarburn. For booking information please call 0131 626 9000. Shareholders may also park at the Ingliston Park and Ride and use the 35 Lothian bus service to connect to RBS Gogarburn.

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