



Letter to shareholders

Report and Accounts for the year ended 31 December 2018
and the 2019 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, 25 April 2019 at 2.00 p.m. in the RBS Conference Centre, RBS Gogarburn, Edinburgh EH12 1HQ.

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18 March 2019

Dear Shareholder

Annual General Meeting

I have pleasure in inviting you to attend our Annual General Meeting (the "AGM") of The Royal Bank of Scotland Group plc (the "Company") which will be held in the RBS Conference Centre, RBS Gogarburn, Edinburgh EH12 1HQ on Thursday, 25 April 2019 at 2.00 p.m.

I enclose a copy of our 2018 Strategic Report, or our full Report and Accounts for the year ended 31 December 2018. 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 8 to 16, additional approval by the independent shareholders will be required, which in each case will be calculated and confirmed at the meeting.

We would like to draw your attention to Resolution 27 which renews the authority granted to the Directors by the special resolution passed at the general meeting of the Company on 6 February 2019 to make off-market purchases of ordinary shares from HM Treasury. The intention would be to seek a similar renewal at future AGMs while HM Treasury continues to hold ordinary shares.

We would also like to draw your attention to Resolution 28, a resolution to create a shareholder committee which is broadly the same form as that rejected by shareholders at the 2018 AGM and which has again been requisitioned by a group of shareholders. The concept of a shareholder committee was included in the Government's Green paper on Corporate Governance Reform. The Government's response to the consultation notes that the majority of respondents were opposed to the idea, citing a range of reasons. First, there is the difficulty of finding a group of investors that could represent the views of the many investors holding shares in large quoted companies (c.186,000 in the case of RBS). Concerns also exist that such committees could entrench large investors, making it harder for smaller investors to have a say. Finally, shareholder committees with strategic oversight and advance say on draft pay and nomination proposals would blur the lines between stewardship and executive decision-making, and undermine the unitary board model. The Board shares similar concerns and therefore does not consider that the creation of such a committee would be in the best interests of the Company. It is the role of the Board, directly elected by shareholders, to promote the success of the Company for the benefit of its members as a whole. Shareholders' views are of course very important and it is considered that established channels including the AGM, the Investor Relations Programme and retail shareholder events already provide appropriate mechanisms for engaging with shareholders. The Board therefore recommends, as it did in 2018, that you vote against Resolution 28. Further details of the Board's view on Resolution 28 are given in Appendix 1 with the Supporting Statement from the requisitioners given in Appendix 2.

Recommendation

The Board considers that Resolutions 1 to 27 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 Resolutions 1 to 27 in respect of their own beneficial holdings.

The Board does not consider that Resolution 28 is in the best interests of the Company and the shareholders as a whole and we unanimously recommend that you vote against Resolution 28. Your Directors intend to vote **against** Resolution 28 in respect of their own beneficial holdings.

Yours sincerely

Howard Davies
Chairman

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Edinburgh EH2 2YB

Section 1

Notice of Meeting

Notice is hereby given that the fiftieth 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, 25 April 2019, at 2.00 p.m. to consider, and if thought fit, pass the Resolutions below:

The Resolutions numbered 1 to 19, 22 and 25 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, 27 and 28 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 2018

1. That the reports of the Directors and auditors and the audited accounts for the financial year ended 31 December 2018 be received.

The Directors are required to present the Report and Accounts for the year ended 31 December 2018 at the Annual General Meeting.

Directors' Remuneration Report

2. That the Annual Report on Remuneration in the Directors' Remuneration Report, as set out on pages 62 and 69 to 78 of the Report and Accounts for the year ended 31 December 2018 be approved.

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.

Declaration of Final Dividend

3. That a final dividend of 3.5 pence per ordinary share of £1.00 be declared in respect of the financial year ended 31 December 2018, payable on 30 April 2019 to ordinary shareholders whose names appear in the register of members at the close of business on 22 March 2019.

Declaration of Special Dividend

4. That a special dividend of 7.5 pence per ordinary share of £1.00 be declared in respect of the financial year ended 31 December 2018, payable on 30 April 2019 to ordinary shareholders whose names appear in the register of members at the close of business on 22 March 2019.

Election and Re-election of Directors

- 5, 6 and 7 (Chairman, Chief Executive and Chief Financial Officer)

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

- 8 to 16 (Non-executive Directors)

To elect or re-elect by separate resolutions: (a) Frank Dangeard as a Director, (b) Alison Davis as a Director, (c) Patrick Flynn as a Director (d) Morten Friis as a Director, (e) Robert Gillespie as a Director, (f) Baroness Noakes as a Director (g) Mike Rogers as a Director (h) Mark Seligman as a Director and (i) Dr Lena Wilson 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 App 1.1 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.

The CG Code requires that the board should set out in the papers accompanying the resolutions to elect each director the specific reasons why their contribution is, and continues to be, important to the Company's long-term sustainable success.

All the Directors offering themselves for election or re-election are highly experienced and have substantial and relevant knowledge of the financial services industry. In view of their career experience and connections with other organisations, as set out in more detail in the 2018 Report & Accounts (Board biographies), the Board considers that they each bring valuable skills to the Board and, in the case of the non-executive directors, that they are independent and provide an objective perspective.

The performance of the non-executive Directors who served during 2018 has been formally evaluated by the Chairman and the performance of the Chairman was evaluated by the non-executive Directors, led by the Senior Independent Director. The contribution of the Chief Executive Officer was considered during the annual performance assessment conducted by the Chairman; and the future contribution of the Chief Financial Officer was considered by the Board during the appointment process.

Based on the information and individual assessments referred to above, the Board considers that each Director's contribution is, and continues to be, important to the Company's long-term sustainable success.

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 App 1.1 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 8 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 and confirmed at the Annual General Meeting. 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 8 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 the year ended 31 December 2018, 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 that time was considered as part of the Board evaluation process in 2018 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 on page 50 of the Governance Report in the Report and Accounts for the year ended 31 December 2018. All of the independent Directors meet the CG Code requirements to be treated as independent. Patrick Flynn was 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 page 53 of the Report and Accounts for the year ended 31 December 2018.

Biographical details of all the Directors are contained in the Report and Accounts for the year ended 31 December 2018 and in the Strategic Report.

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 Group audit committee has recommended to the Board that Ernst & Young LLP be re-appointed. Details of the auditors' remuneration can be found in Note 6 of the Notes on the Accounts in the Report and Accounts for the year ended 31 December 2018.

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 £4,029,996,587 (such amount to be reduced by any allotment or grant made under sub-paragraph (ii) below in excess of £4,029,996,587); and**
 - (ii) comprising equity securities (as defined in section 560 of the Companies Act 2006) up to a maximum nominal amount of £8,059,993,173 (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 30 June 2020 (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 2018.

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 £4,029,996,587 representing one-third of the Company's issued ordinary share capital on 14 March 2019 (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 £8,059,993,173, representing two-thirds of the Company's issued ordinary share capital on 14 March 2019 (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. Previously and 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 2018, the Directors considered and approved new issuances in an amount not to exceed £300 million sold on a phased basis to neutralise in part the capital impacts of discretionary coupon payments. This requirement has now ceased. The Directors have no present intention to exercise the authority.

The authority would remain in force until the conclusion of the next Annual General Meeting of the Company or the close of business on 30 June 2020, 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 aggregate nominal amount of £604,499,488.

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 2020, 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 £604,499,488 (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 2020 (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.

Additional authority to allot Equity Securities for Cash or to sell Treasury Shares other than on a pro rata basis to Shareholders

21. That subject to the passing of Resolution 19, and in addition to any authority granted under Resolution 20, 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:
- (i) limited to the allotment of equity securities up to a maximum aggregate nominal amount of £604,499,488; 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 2020, 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 £604,499,488, representing approximately a further 5% of the issued ordinary share capital of the Company as at 14 March 2019, 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 2020 (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 2020 (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 30 May 2018 to provide the flexibility to issue ECNs if required. The Company last issued ECNs in 2016 to the value of circa £2 billion equivalent 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 2019 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 12.41% of the issued ordinary share capital of the Company as at 14 March 2019, 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 12.41% of the issued ordinary share capital of the Company as at 14 March 2019, 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 2020 (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 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.

The authority granted in 2018 was used to hold a General Meeting on 6 February 2019 on 19 days notice to obtain shareholder approval for a single resolution which gave the Company the flexibility, with the agreement of HM Treasury, to facilitate the return of the Company to full private ownership through the use of the Company's excess capital by undertaking directed buybacks of ordinary shares from HM Treasury.

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 2020, 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 2020 or on 30 June 2020, 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 2018 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 2020 (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 1,208,998,976 (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; (ii) the price of the last independent trade on the trading venue where the purchase is carried out; and (iii) the highest current independent purchase bid on that venue;
 - (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 2020 (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 1,208,998,976 ordinary shares as at 14 March 2019, 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 conclusion of the next Annual General Meeting of the Company or 30 June 2020 (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 14 March 2019, the latest practicable date prior to publication of the Notice of Meeting, are in respect of 192,479,508 ordinary shares, which represents 1.59% of the current issued ordinary share capital and would represent 1.77% if the full authority to purchase own shares under this resolution were to be used (or 1.87% if the full authority to purchase own shares under this resolution and resolution 27 were to be used) and such repurchased ordinary shares were to be cancelled.

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.

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

27. That the Company is hereby authorised to make 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 at such times and at such prices and in such numbers and otherwise on the terms and conditions as contemplated in the contract between the Company and HM Treasury dated 7 February 2019 (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"), which was originally approved by special resolution passed at the General Meeting of the Company on 6 February 2019 provided that:

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 30 June 2020 (whichever is earlier); and the Company may conclude 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, and may make a purchase of ordinary shares in pursuance of any such contract as if the authority hereby conferred had not expired.

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 off-market purchases of its own ordinary shares from HM Treasury (or its nominee).

The Directors consider it may, in certain circumstances, be in the best interests of 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 a book building process and otherwise on the terms and conditions of the Directed Buyback Contract. The Directed Buyback Contract limits any such off-market purchases to a maximum of 4.99% of the Company's issued ordinary share capital in any 12 month period.

The Directors will only make off-market purchases 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 by the PRA for any ordinary share distributions.

The Company will cancel or hold as treasury shares the ordinary shares it purchases off-market pursuant to the authority conferred in this 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 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 14 March 2019, the latest practicable date prior to publication of the Notice of Meeting, are in respect of 192,479,508 ordinary shares, which represent 1.59% of the current issued ordinary share capital and would represent 1.68% if the full authority to purchase own shares under this resolution were to be used (or 1.87% if the full authority to purchase own shares under this resolution and resolution 26 were to be used) and such repurchased ordinary shares were to be cancelled.

Under Chapter 11 of the Listing Rules, 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.

Shareholder Requisitioned Resolution

28. That the Directors establish a Shareholder Committee.

This Resolution, which has been requisitioned by a group of shareholders under the provisions of section 338 of the Companies Act 2006. It will be proposed as a special resolution and requires the approval of three-quarters of the votes cast at the meeting.

The RBS Board unanimously recommends that shareholders **vote against Resolution 28**. The detailed statement from the RBS Board is at Appendix 1 to this document. The Supporting Statement to Resolution 28 provided by the requisitioners is provided at Appendix 2.

By order of the Board,

Aileen Taylor

Company Secretary
36 St Andrew Square, Edinburgh
18 March 2019

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 23 April 2019, 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 23 April 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 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 6 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 23 April 2019. The appointment of a proxy will not prevent a member from subsequently attending and voting at the meeting in person.
3. **Joint shareholders:** In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
4. **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.
5. **Nominated Persons:** The statement of the rights of shareholders in relation to the appointment of proxies in Notes 2 above and 6 below do not apply to Nominated Persons. The rights described in these Notes can only be exercised by shareholders.
6. **Crest proxy appointment service:** CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the AGM and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland's specifications and must contain the information required for such instructions, as described in the CREST Manual (www.euroclear.com). The message must be transmitted so as to be received by the issuer's agent (ID 3RA50), by 2.00 p.m. on Tuesday, 23 April 2019. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST

for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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 (as amended). Please refer to the CREST Manual at www.euroclear.com.

7. **Issued capital and voting rights:** As at 14 March 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 Annual General Meeting consisted of 12,089,989,760 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 14 March 2019 was 48,363,559,040.
8. **Directors' beneficial holdings:** since 14 February 2019 (the date of the Report and Accounts for 2018) there have been changes to the Directors' beneficial holdings. As at 14 March 2019, (being the latest practicable date prior to the printing of this Notice of Meeting), the beneficial holdings were as detailed below.

Director	Number of Shares
Howard Davies	80,000
Ross McEwan	2,400,371
Katie Murray	58,534
Frank Dangeard	5,000
Alison Davis	20,000
Patrick Flynn	—
Morten Friis	20,000
Robert Gillespie	25,000
Brendan Nelson	12,001
Baroness Noakes	41,000
Mike Rogers	20,000
Mark Seligman	20,000
Dr Lena Wilson, CBE	6,000

9. **Major shareholders' interests:** Since 14 February 2019 and up to 14 March 2019 the Company has not received any notifications in accordance with Rule 5 of the Disclosure Guidance and Transparency Rules.
10. **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.
11. **Questions at the AGM:** Any member, corporate representative or proxy 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. In order to facilitate the smooth running of the meeting, questions will be taken strictly in relation to each resolution.

12. **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
13. **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.
14. **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.
15. **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 Directed Buyback Contract.

Section 2

General information in relation to the Annual General Meeting and Report and Accounts for the year ended 31 December 2018

Report and Accounts for the year ended 31 December 2018

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

- (1) the full “Report and Accounts” for the year ended 31 December 2018. 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 Computershare, our Registrar, on +44 (0)370 702 0135 or write to Computershare at the address provided in the contact details section.

Electronic shareholder communications

The Company is committed to reducing its impact on the environment. You can help us to reduce our paper consumption by electing to receive your shareholder communications electronically. To do so, please visit investors.rbs.com/shareholder-centre and click the Sign Up to E-Comms tab.

Shareholder questions

At the Annual General Meeting members attending the meeting have the right to ask questions, as stated in Note 11 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 4 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 23 April 2019. 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

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—Resolution 28—RBS Board Statement

Dear Shareholder,

Your Company has again been requisitioned by ShareSoc, The UK Individual Shareholders Society and The UK Shareholders' Association (UKSA) to put forward a resolution to establish a shareholder committee at the forthcoming AGM.

The Board notes that the proposal to create a shareholder committee was comprehensively rejected by shareholders at the AGM in 2018. The Board further notes the fact that the concept of a shareholder committee which was included in the Government's Green Paper on Corporate Governance Reforms has not been taken forward by either the Government or the FRC, indicating lack of support for this during the consultation. Reasons for opposition include the difficulty of finding a group of investors that could represent the views of the many investors holding shares in large quoted companies. Concerns also exist that such committees could entrench large investors, making it harder for smaller investors to have a say. Finally, shareholder committees with strategic oversight and advance say on draft pay and nomination proposals would blur the lines between stewardship and executive decision-making, and undermine the unitary board model.

The Board does not consider that the creation of a shareholder committee would be in the best interests of the Company as it is the role of the Board, directly elected by shareholders, to promote the success of the Company for the benefit of its members as a whole. Shareholders have the power to vote for or against all of the Directors on the Board at each AGM. The Board's commitment to building long-term sustainable value is underpinned by understanding the issues that are important to our shareholders and wider stakeholders. This is a vital aspect of the Board's work. As part of our long-term strategy implementation, we want to be trusted, respected and valued by our customers, shareholders, employees and communities. The framework to achieve this is already in place, with Directors engaging extensively across a range of stakeholder groups.

This is a particular focus of the work of the Sustainable Banking Committee, which operates an active programme of external stakeholder engagement sessions, inviting key thought leaders with varying backgrounds to join the Committee in an open and challenging dialogue. During 2018 it met with sixteen external stakeholders over four sessions on the topics of Sustainable Credit, the Ethics of Artificial Intelligence, Purpose and Transparency.

In relation to shareholders, there is a well established engagement programme for both retail and institutional shareholders. The Board also receives regular market feedback from our shareholders and from institutions who do not hold our stock.

During 2018, events were held in Glasgow and Birmingham for retail shareholders. These afforded an opportunity for a diverse group of shareholders, selected by postcode, to hear about developments in the Company, ask questions about progress so far and learn more about plans for the future. These events included presentations and a question and answer session with a panel of senior management. Individual shareholders views on our plans to build a better bank are important to us and these sessions underlined our commitment to proactive engagement and taking steps to understand their perspectives. Further events are planned for September and November 2019. Further detail regarding these events will be provided via our website at www.rbs.com/shareholder-centre/shareholder-events. Shareholders are also given the opportunity to ask questions at the Annual General Meeting and any General Meetings held or can submit written questions in advance. The Senior Independent Director and the chairmen of the Board committees are available to answer questions at the Annual General Meeting.

Communication with the Company's largest institutional shareholders is undertaken as part of the Investor Relations programme. The Chief Executive and Chief Financial Officer meet regularly with the Company's largest institutional shareholders, and the Chairman also holds independent meetings to hear their feedback on management, strategy, business performance and corporate governance. Additionally, the Chairman and Senior Independent Director met with the governance representatives of a number of institutional shareholders during the year. Throughout the year, the Chairman, Chief Executive, Chief Financial Officer and Chairman of the Group Performance and Remuneration Committee communicate shareholder feedback to the Board. The Directors also receive reports reviewing share price movements and performance against the sector. Detailed market and shareholder feedback is provided to the Board after major public announcements such as a results

release. The arrangements in place are to ensure that Directors develop an understanding of the views of major shareholders and that these are considered as part of the annual Board evaluation.

As Directors who are directly elected by shareholders already undertake extensive engagement with shareholders and stakeholders, the Board does not consider that establishing a shareholder committee, involving a limited number of shareholders, would be in the interests of the wider shareholder base. The Board therefore asks shareholders to **vote against Resolution 28** as the Directors intend to do in respect of their own shareholdings.

Yours sincerely

Howard Davies
Chairman

Appendix 2—Resolution 28—Supporting Statement from requisitioners

The submission of this Resolution has been coordinated by ShareSoc, The UK Individual Shareholders Society and UKSA, The UK Shareholders' Association. ShareSoc and UKSA have advocated Shareholder Committees for many years. The shareholders who have requisitioned this Resolution believe that the Company's governance will benefit from increased shareholder engagement in the form of a Shareholder Committee.

The informal nature of current shareholder engagement (cosy chats with selected shareholders behind closed doors) does not work well for the broad shareholder base. It is not clear whether investors are each being told the same story, how information is being spun, or whether complete or only partial information is being given out. Ad hoc engagements tend to only occur when a problem arises and this is too late. Voting happens too late in the process. Discussion and voting at the AGM is ineffective, as institutions do not like to vote against the management's recommendations.

This impasse can be broken through the introduction of a Shareholder Committee, including a more professional and systematic process, with regular meetings between the Company and knowledgeable Shareholder Committee Members.

A similar resolution was submitted to the 2018 AGM. UK Government Investments(UKGI), which represented 75.3% of the votes cast on this matter, chose to vote against the resolution, thereby deciding the outcome. There were 604.99 million votes in support of the proposal, representing 5.5% of the non-UKGI votes cast.

The UKGI position at the 2018 AGM was a disappointment to the campaign, and arguably inconsistent with the entity's mandate. The Government wishes to reduce and eventually eliminate its stake in RBS, and any means of increasing engagement with shareholders should be embraced with enthusiasm. Increased shareholder oversight through a Shareholder Committee can only make the shares more attractive to prospective investors.

5.5% support for the resolution was a significant outcome in light of the negative recommendation from the Board of RBS. It was a truly remarkable result.

ShareSoc and UKSA recognise that it takes time to influence the thinking of the Board, of UKGI and of institutional shareholders. The first vote on this matter was held at the 2018 AGM. We can expect increased support for the proposal at the 2019 meeting. Change does not happen overnight.

Role of the Committee

The aim of the Shareholder Committee is to facilitate more effective oversight by shareholders of the governance of the Company. It is intended that the Shareholder Committee operate as part of an effective and inclusive governance framework that builds trust between the Company and its shareholders.

The key criteria are that the committee should include Shareholder representatives, ideally approved by both the Company and by the AGM, and that it should engage on a regular basis with the Board of Directors. The functions of the Shareholder Committee are likely to be advisory in nature and may, at the discretion of the Directors, include some or all of the following:

1. providing feedback to the Board on candidates being considered for appointments by the Company,
2. providing feedback to the Board on remuneration proposals, and reporting to the AGM on specific pay proposals (including the remuneration policy),
3. providing feedback to the Board on strategy from a shareholder perspective,
4. reviewing and commenting to the Board on the appointment of external auditors and the activities of the auditors,
5. reporting to shareholders on its activities via the annual report,
6. providing voting recommendations to shareholders for the AGM.

Benefits of a Shareholder Committee

- Mechanism for Board to engage and communicate with a broader range of Shareholders

- Visible check and balance on governance matters
- Increased transparency
- Improved Shareholder confidence, making RBS shares more attractive to a broader range of investors
- More orderly AGM process
- Establishes RBS as a leader in corporate governance
- Enhances reputation of the UK financial markets

Membership of the Committee

The Shareholder Committee is likely to comprise a number of shareholders of the Company, or their representatives, (who may initially be selected by the Company and in subsequent years be elected by the shareholders of the Company), any representative(s) of other key stakeholders the Company may wish to appoint, and one or more Directors. Notwithstanding the ultimate composition of the Shareholder Committee, it is likely that the majority of any voting rights at Shareholder Committee meetings will reside in due course with those Committee Members directly elected by the shareholders of the Company.

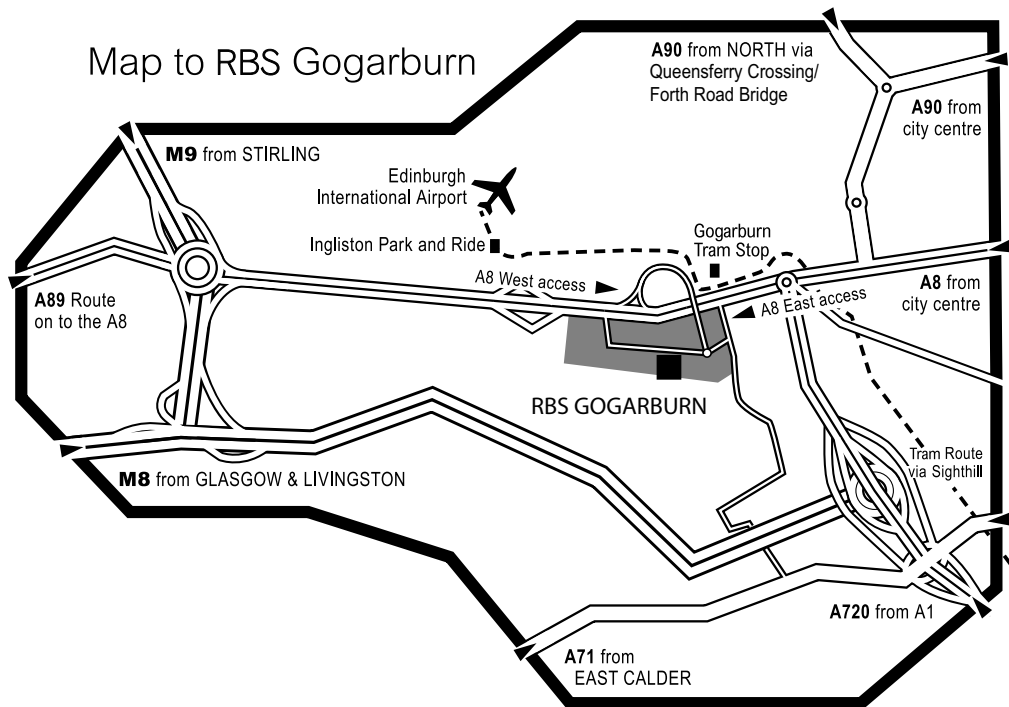
Retail investor involvement

Retail investors are beneficial owners of at least 12% of the UK stock market and have an independent long-term perspective. Vocal and transparent, they are generally unencumbered by conflicts of interests and by the time pressures that institutional shareholders might have. One or more Committee Members might be proposed by the recognised shareholder associations, ShareSoc and UKSA.

Further Information about ShareSoc, The UK Individual Shareholders Society and UKSA, The UK Shareholders' Association

ShareSoc is the UK's largest retail shareholder organisation, acting in all areas of the UK stock market with over 4,500 members. See www.sharesoc.org. ShareSoc is a not for profit company. ShareSoc has produced a report on Shareholder Committees. See <http://www.sharesoc.org/Shareholder%20Committees.pdf>. For more information about the ShareSoc-UKSA RBS Shareholder Committee Campaign, see www.sharesoc.org/campaigns/rbs/

UKSA is the oldest shareholder campaigning organisation in the UK. UKSA is a not for profit company that represents and supports shareholders who invest in the UK stock market. By lobbying Government, the Financial Reporting Council, the Financial Conduct Authority and other bodies we strive to continually improve recognition and treatment for private investors, see www.uksa.org.uk. UKSA has supported the principle of shareholder committees since its foundation. See <http://www.uksa.org.uk/POSB2009>



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. 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. 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. To book a car parking space please email GogarburnCCReception@rbs.co.uk. Alternatively you can call 0131 626 9000.