

## Letter to shareholders

Financial results for the year ended 31 December 2010  
and the 2011 Annual General Meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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

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

The attention of shareholders is drawn to the notice of the Annual General Meeting of the company which appears in Section 1 of this letter. The Annual General Meeting will be held on Tuesday, 19 April 2011 at 2.00 p.m. in the RBS Conference Centre, RBS Gogarburn, Edinburgh EH12 1HQ.

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**Philip Hampton**  
Chairman



PO Box 1000  
RBS Gogarburn  
Edinburgh EH12 1HQ

Telephone: 0131 556 8555

16 March 2011

Dear Shareholder

I have pleasure in sending you our 2010 Annual Review and Summary Financial Statement, or our full Report and Accounts. I also have pleasure in inviting you to attend our Annual General Meeting which will be held in the RBS Conference Centre, RBS Gogarburn, Edinburgh EH12 1HQ on Tuesday 19 April 2011 at 2.00 p.m.

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.

There was a step-change in our overall financial performance last year. The return to operating profit reflects both the internal rebuilding process at RBS and the external recovery in market and economic conditions. We are still a good way from where we want to be in terms of our performance but 2010 represents another big stride towards that goal. We will have the opportunity to discuss the Group's performance at the meeting.

Yours sincerely

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

## Section 1

### Notice of Meeting

Notice is hereby given that the forty-third 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 19 April 2011, at 2.00 p.m. for the following purposes:

1. To receive and approve the accounts for the financial year ended 31 December 2010 and the reports of the directors and auditors thereon.
2. To approve the Remuneration Report contained within the Report and Accounts for the financial year ended 31 December 2010.
3. To re-elect Colin Buchan as a director.
4. To re-elect Sandy Crombie as a director.
5. To re-elect Philip Hampton as a director.
6. To re-elect Stephen Hester as a director.
7. To re-elect Penny Hughes as a director.
8. To re-elect John McFarlane as a director.
9. To re-elect Joe MacHale as a director.
10. To re-elect Brendan Nelson as a director.
11. To re-elect Art Ryan as a director.
12. To re-elect Bruce Van Saun as a director.
13. To re-elect Philip Scott as a director.
14. To re-appoint Deloitte LLP as auditors.
15. To authorise the Audit Committee to fix the remuneration of the auditors.
16. To renew the directors' authority to allot securities.
17. To renew the directors' authority to allot shares on a non-pre-emptive basis.
18. To amend the articles of association to facilitate raising of regulatory capital.
19. To authorise the allotment of preference shares.
20. To permit the holding of General Meetings at 14 days' notice.
21. To authorise political donations and expenditure by the company in terms of Section 366 of the Companies Act 2006.
22. To amend the rules of the RBS 2010 Deferral Plan.

The resolutions to be proposed as additional business at the Annual General Meeting in respect of items 16 to 22 above are set out in full in Appendix 1 to the circular letter to shareholders dated 16 March 2011 of which this notice forms part.

Information on all the resolutions is contained in section 2.

By order of the Board,

Aileen Taylor  
Secretary

36 St Andrew Square, Edinburgh  
23 February 2011

Notes:

- 1 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 15 April 2011, 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 15 April 2011 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 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 appointing a proxy is enclosed with this notice and may be returned in the enclosed pre-paid envelope. To appoint a proxy, (a) the form of proxy, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), must be completed and sent to the company's transfer office at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, or (b) the proxy appointment must be lodged using the CREST Proxy Voting Service in accordance with Note 5 below, or (c) the proxy appointment must be registered electronically on the website at [www.rbs.com/e-proxy](http://www.rbs.com/e-proxy), in each case so as to be received no later than 2.00 p.m. on 15 April 2011. The appointment of a proxy will not prevent a member from subsequently attending and voting at the meeting in person.
- 3 Any person to whom this Annual General Meeting Notice 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 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 members who wish to appoint and/or give instructions to a proxy or proxies through the CREST electronic proxy appointment service may do so through the issuer's agent (ID 3RA50) by the latest time for receipt of proxy appointments specified above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. The company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. Please refer to the CREST manual at [www.euroclear.com/CREST](http://www.euroclear.com/CREST).

- 6 As at 7 March 2011 (being the latest practicable date prior to the printing of this document), the issued share capital of the company conferring the right to vote at the Annual General Meeting consisted of 58,510,065,507 ordinary shares carrying one vote each on a poll, 400,000 5.5 per cent. cumulative preference shares carrying four votes each on a poll, 500,000 11 per cent. cumulative preference shares carrying four votes each on a poll, 23,125,869 Non-Cumulative Dollar Preference Shares Series M carrying four votes each on a poll, 22,113,160 Non-Cumulative Dollar Preference Shares Series N carrying four votes each on a poll, 9,883,307 Non-Cumulative Dollar Preference Shares Series P carrying four votes each on a poll, 20,646,938 Non-Cumulative Dollar Preference Shares Series Q carrying four votes each on a poll, 10,163,932 Non-Cumulative Dollar Preference Shares Series R carrying four votes each on a poll, 26,449,040 Non-Cumulative Dollar Preference Shares Series S carrying one vote each on a poll, 51,245,839 Non-Cumulative Dollar Preference Shares Series T carrying one vote each on a poll, 10,130 Non-Cumulative Dollar Preference Shares Series U carrying one vote each on a poll, 1,250,000 Non-Cumulative Euro Preference Shares Series 1 carrying four votes each on a poll, 784,989 Non-Cumulative Euro Preference Shares Series 2 carrying four votes each on a poll, 9,429 Non-Cumulative Euro Preference Shares Series 3 carrying one vote each on a poll, and 54,442 Non-Cumulative Sterling Preference Shares Series 1 carrying one vote each on a poll. Therefore, the total number of voting rights in the Company as at 7 March 2011 was 58,943,307,167.
- 7 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.
- 8 Any member attending the meeting has the right to ask questions. The company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the company or good order of the meeting that the question be answered.
- 9 A copy of this notice and other information required by section 311A of the Companies Act 2006 can be found at [www.rbs.com](http://www.rbs.com).
- 10 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.
- 11 The following documents will be available for inspection at the company's registered office and at Linklaters LLP, One Silk Street, London EC2Y 8HQ during normal business hours until the close of the Annual General Meeting and at the place of the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting:
- (i) copies of the executive directors' service contracts;
  - (ii) copies of the letters of appointment for non-executive directors; and
  - (iii) the rules of the RBS 2010 Deferral Plan, marked to show the proposed amendments.

## Section 2

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

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

**Report and Accounts (resolution number 1)** You will be asked to approve the 2010 Report and Accounts.

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

**Election of Directors (resolutions numbered 3 to 13)** 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 new UK Corporate Governance Code ("the Code"), all of the Company's directors will retire and submit themselves for re-election on an annual basis, starting this year. Colin Buchan will stand down as a non-executive director on 5 August 2011 following the announcement of the Group's interim results, having served just over nine years on the Board.

All of the non-executive directors offering themselves for 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 Code requires that, when non-executive directors are proposed for 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. I am very pleased to give this confirmation in relation to all of the non-executive directors seeking re-election. On my own re-election I am very pleased that Sandy Crombie, our Senior Independent Director, is able to confirm that my own formal performance evaluation demonstrates that I have met the criteria set out in the Code.

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

**Auditors (resolutions numbered 14 and 15)** You will be asked to vote on the re-appointment of Deloitte LLP as the company's auditors until the next Annual General Meeting, and to authorise the Audit Committee to fix the auditors' remuneration. The company's Audit Committee has recommended to the Board that Deloitte LLP be re-appointed. Details of the auditors' remuneration can be found in Note 5 of the Notes on the Accounts of the Report and Accounts.

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

**Authority to allot Securities (resolution number 16)** 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 2010.

The relevant resolution is set out in Appendix 1. 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 £4,875,838,792.25 representing one-third of the company's issued ordinary share capital on 7 March 2011 (the latest practicable date before the printing of the notice). The company has passed resolutions on this basis at the Annual General Meeting for a number of years.

In accordance with the institutional guidelines issued by the Association of British Insurers ("ABI"), 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 £9,751,677,584.50, representing two-thirds of the company's issued ordinary share capital on 7 March 2011 (the latest practicable date before the printing of the notice).

The directors have no present intention to exercise the authority. However, it is considered prudent to maintain the maximum flexibility permitted by institutional guidelines. If they do exercise the authority, the directors intend to follow emerging best practice as regards its use (including as regards the directors standing for re-election in certain cases), as recommended by the ABI. The authority would remain in force until the end of the Annual General Meeting in 2012 or the close of business on 30 June 2012, whichever is the earlier.

**Authority to allot Shares free from pre-emption restrictions (resolution number 17)** 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 shares up to an aggregate nominal value of £731,375,818 (representing 5% of the issued ordinary share capital of the company) and to allotments in connection with a rights issue. The authority will also include any sale by the company of shares held as treasury shares. Paragraph (B) of the resolution, if passed, will renew the authority in the company's articles of association to disapply any statutory pre-emption rights which holders of B Shares or the Dividend Access Share in the company would otherwise have. The relevant resolution is set out in Appendix 1.

If approved, the authority will expire at the end of the Annual General Meeting in 2012 (or on 30 June 2012 if 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.

**Amendment to the Articles of Association to facilitate raising of regulatory capital (resolution number 18)** Resolution 18 will be proposed as a special resolution and will, if passed, amend the provisions of the articles of association relating to the issue of preference shares. For a number of years, the issuing of non-cumulative preference shares has been an important means of raising regulatory capital for the company. The articles of association prescribe in detail the rights and restrictions which may be attached to those shares on issue.

In November 2010, the G-20 group of Finance Ministers and Central Bank Governors endorsed the "Basel 3" package of reforms to the capital adequacy regime for banks. The implementation of these reforms in the UK has not yet taken place, and it is not yet clear what form issues of regulatory capital securities will take in the future as banks seek to maintain a strong and efficient regulatory capital structure. In light of this, a greater degree of flexibility in the terms of issue of preference shares in the future would be potentially advantageous for the company.

It is therefore proposed in Resolution 18 to insert a new provision in the articles of association stating that, subject to existing class rights of shareholders, new preference shares can be issued with such rights and restrictions as the directors may determine. The relevant resolution is set out in Appendix 1.

**Authority to Allot Preference Shares (resolution number 19)** The effect of resolution 19 is to give the directors a general authority to allot sterling, dollar and euro preference shares up to the maximum aggregate nominal amounts of £400,000, US\$400,000 and €400,000. This authority would remain in force for a period of five years. The directors have no current plans to make use of this authority but, as explained above in relation to Resolution 18, they wish to ensure the company has maximum flexibility in managing the Group's regulatory capital resources as the Basel 3 reforms are implemented in the UK. The relevant resolution is set out in Appendix 1.



**Notice Periods for General Meetings (resolution number 20)** The Companies Act 2006 extended the notice period for general meetings of a company to 21 days. The Act does, however, allow companies to retain a 14 day notice period provided that certain conditions are met, including the passing of an appropriate resolution at an Annual General Meeting. The proposed resolution, which will be proposed as a special resolution, will enable the company to retain the flexibility of holding general meetings (other than an Annual General Meeting) on 14 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 2012, when it is intended that a similar resolution will be proposed. The relevant resolution is set out in Appendix 1.

**Political Donations (resolution number 21)** The Companies Act 2006 requires companies to seek prior shareholder approval for any political donations or political expenditure in respect of an EU political party or other EU political organisation or an independent election candidate in the EU. Neither the company nor any of its subsidiaries has any intention of making any EU political donation or incurring any EU political expenditure. However the definitions of political donations and political expenditure used in the 2006 Act 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, national or European parliament 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 2006 Act.

The penalties for breach of the legislation are severe, even if the breach is inadvertent. At the Annual General Meeting in 2010 shareholders approved a resolution to protect the company and its officers by approving political donations and expenditure of up to £500,000 per annum in aggregate across the Group. We now seek to renew this authority up to an aggregate of £500,000 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 Annual General Meeting of the company in 2012.

The relevant resolution is set out in Appendix 1.

**RBS 2010 Deferral Plan (resolution number 22)** Resolution 22 is an ordinary resolution to amend the RBS 2010 Deferral Plan, which was approved by shareholders and adopted on 15 December 2009. The amendments are designed to comply with new requirements imposed by the Financial Services Authority ("FSA"), and to make other improvements to the operation of the plan. The full text of the plan as amended is available for inspection, as noted on page 6 of this document and the effect of the proposed amendments is explained in Appendix 2.

## **Recommendation**

The directors consider that all the proposals described in this letter are in the best interests of the company and its shareholders as a whole, and recommend all shareholders to vote in favour of all the resolutions, as the directors intend to do in respect of their own beneficial holdings, with the exception of resolution 22 on which the executive directors will not vote as they are participants under the RBS 2010 Deferral Plan.

## Section 3

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

### Report and Accounts

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

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

If you wish to change your election in this regard please contact our Registrar on +44 (0)870 702 0135.

### Shareholder Questions

At the Annual General Meeting members attending the meeting have the right to ask questions. The company must cause to be answered any such questions relating to the business of 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. You can also write to us with your questions at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or contact us at [rbsagm2011@computershare.co.uk](mailto:rbsagm2011@computershare.co.uk) and we will respond to your questions as soon as possible. Our customer services and shareholder enquiries teams at the meeting will also be pleased to help you.

### Forms of Proxy and voting at the Annual General Meeting

A Form of Proxy is enclosed which covers all resolutions to be proposed at the Annual General Meeting and which is for use by holders of ordinary shares, cumulative preference shares, and the classes of non-cumulative preference shares specified in note 6 to the Notice of the Meeting. If you are a person nominated under section 146 of the Companies Act 2006 to enjoy information rights, please read note 3 to the Notice of the Meeting.

Completed Forms of Proxy should be returned in the pre-paid envelope as soon as possible, but in any event no later than 2.00 p.m. on 15 April 2011. In addition, it is now possible to appoint and instruct your proxy electronically by following the instructions on the enclosed Form of Proxy. Completion of a Form of Proxy will not prevent you from attending and voting at the Annual General Meeting if you so wish. To appoint more than one proxy (each of whom must be appointed to exercise rights attached to different shares held by you), see Note 2 on the reverse of the Form of Proxy.

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

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

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

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

**Contact Details**

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

The following resolutions (numbered as in the Notice of Meeting) will be proposed as additional business at the Annual General Meeting of the company convened for 19 April 2011 at 2.00 p.m. in the RBS Conference Centre, RBS Gogarburn, Edinburgh EH12 1HQ.

Resolutions 17, 18 and 20 will be proposed as special resolutions.

### 16 Ordinary Resolution

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 £4,875,838,792.25 (such amount to be reduced by the nominal amount of any equity securities (as defined in section 560 of the Companies Act 2006) allotted under sub-paragraph (ii) below in excess of £4,875,838,792.25); and
- (ii) comprising equity securities (as defined in section 560 of the Companies Act 2006) up to a maximum nominal amount of £9,751,677,584.50 (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, shares represented by depositary receipts, legal or practical problems under the laws in 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, if earlier, the close of business on 30 June 2012, save that the Company may before such expiry (A) pursuant to the authority conferred by sub-paragraph (i) above, 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) above, 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.

## 17 Special Resolution

That subject to the passing of Resolution 16:

- (A) the Directors be and are hereby generally and unconditionally empowered pursuant to section 571(1) 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 16 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 16(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 right 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, shares represented by depositary receipts, legal or practical problems arising 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 16(i) and/or by virtue of section 560(3) of the Companies Act 2006, up to a maximum nominal amount of £731,375,818.

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 2012, 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 571 of the Companies Act 2006; and

- (B) the powers conferred on the Directors by sub-paragraphs (1) and (2) of article 11 (B) of the Company's articles of association be renewed for the period ending at the conclusion of the next Annual General Meeting of the Company or, if earlier, the close of business on 30 June 2012.

## 18 Special Resolution

That the articles of association of the Company be amended by:

- (i) inserting immediately before the colon in the first sentence of article 4 the words “,or as specified or referred to in any terms of issue determined pursuant to Article 5”; and
- (ii) re-numbering the existing article 5 as article 5(1) and inserting the following new provision as article 5(2):

“(2) Without prejudice to any special rights previously conferred on the holders of any shares or class of shares for the time being issued (which special rights may be varied or abrogated only in the manner provided by Article 6), and notwithstanding the provisions of paragraph (1) above, any preference share in the Company may be issued with such rights, and subject to such restrictions, as the Directors may determine prior to allotment or otherwise in accordance with their terms. Such rights and restrictions may relate to participation in the profits or assets of the Company, receipt of notices, attendance and voting at meetings, conversion into other shares or redemption, and other rights and restrictions may also be attached. If rights or restrictions relating to redemption are attached, the Directors may determine the terms, conditions and manner of redemption. The preference shares may be denominated in different currencies. Notwithstanding the foregoing, the Directors may not determine under this paragraph (2) the terms of issue of any shares to which the provisions of Article 4, 4A, 4B, 4C, 4D, 4E, 4F or 4G are stated on issue to apply.”

19 Ordinary Resolution

That in addition to and without prejudice to the authority conferred on the Directors pursuant to Resolution 16 above, the Directors be generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot preference shares up to an aggregate nominal amount of £400,000, US\$400,000 and €400,000, such authority to apply in substitution for all previous authorities pursuant to section 80 of the Companies Act 1985 in respect of preference shares and (unless previously renewed, varied or revoked by the Company in General Meeting) to expire on the fifth anniversary of the passing of this Resolution except that the Company may before the expiry of such period make an offer or agreement which would or might require preference shares to be allotted after the expiry of such period and the Directors may allot preference shares in pursuance of any such offer or agreement as if the authority had not expired.

20 Special Resolution

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

21 Ordinary Resolution

That, in accordance with section 366 of the Companies Act 2006 (the "2006 Act") 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 to: (a) make political donations to political parties, political organisations other than political parties, or independent election candidates, not exceeding in total £250,000; and (b) incur political expenditure not exceeding in total £250,000, in each case 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 2012 or on 30 June 2012, whichever is the earlier, provided that the maximum amounts referred to in (a) and (b) 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 2006 Act.

22 Ordinary Resolution

That the amendments to the rules of the RBS 2010 Deferral Plan, the effect of which is summarised in Appendix 2 to this Notice of General Meeting and which are initialled by the Chairman for the purposes of identification, be and are approved and adopted in the form produced to the meeting.

## Appendix 2

### Proposed amendments to the RBS 2010 Deferral Plan (“the Plan”)

The effect of the proposed amendments to the Plan is summarised below:

- 1 The nature of the awards that can be granted under the Plan is to be expanded, to allow the awards to be granted in the form of options as well as conditional and forfeitable awards, and on the basis that they are immediately vested but are subject to a retention period, as contemplated by the FSA's Remuneration Code.
- 2 The provisions relating to the treatment of awards on leaving the Group will be clarified, in particular to ensure that awards (including subsisting awards) would not necessarily be lost when an employee moves to a competitor with the approval of the Group.

RBS Gogarburn is served by the 35 Lothian Bus to and from the city centre and the airport all day. An RBS shuttle bus will run from the public transport stop in RBS Gogarburn to the RBS Conference Centre.

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

Limited private parking is available at RBS Gogarburn . 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.

