



Letter to shareholders

Financial results for the year ended 31 December 2013
and the 2014 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 the Annual General Meeting of the Company which appears in Section 1 of this letter. The Annual General Meeting will be held on Wednesday, 25 June 2014 at 2.00 p.m. in the RBS Conference Centre, RBS Gogarburn, Edinburgh EH12 1HQ.

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PO Box 1000
RBS Gogarburn
Edinburgh EH12 1HQ

Telephone: 0131 556 8555

19 May 2014

Dear Shareholder

I have pleasure in inviting you to attend our Annual General Meeting which will be held in the RBS Conference Centre, RBS Gogarburn, Edinburgh EH12 1HQ on Wednesday, 25 June 2014 at 2.00 p.m.

I enclose a copy of our 2013 Strategic Report, or our full Report and Accounts. Due to recent changes in legislation, if you previously elected to receive the Annual Review and Summary Financial Statement, you will now receive a copy of the new Strategic Report. The Strategic Report includes information on the Company's development, performance, strategy, business model, the remuneration report and the principal risks and uncertainties faced.

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 recent changes to 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. Therefore for resolutions 2, 3, 6, 7, 9, 10, 11 and 12, additional approval of the independent shareholders will be sought by a separate vote, which in each case will be held immediately after the corresponding resolution. Please note therefore that independent shareholders are effectively eligible to vote twice on these elections and re-elections and additional boxes for voting instructions have been included in the forms of proxy.

The Board considers 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 and approvals, as the Board intends to do in respect of their own beneficial holdings with the exception of Resolution 19 regarding the Directors' Remuneration Policy on which all directors will not vote and Resolution 21 regarding the new RBS 2014 Employee Share Plan on which the executive directors will not vote as they are potential participants.

The Annual General Meeting will be followed by two further General Meetings, the first of which will consider proposals relating to the Dividend Access Share, and the second of which will consider the renewal of share capital authorities in relation to Equity Convertible Notes and allotment authorities in relation to B Shares. You will receive separate communications with details of these proposals.

Yours sincerely

Philip Hampton
Chairman

The Royal Bank of Scotland Group plc
Registered in Scotland No SC45551
Registered Office: 36 St Andrew Square
Edinburgh EH2 2YB

Section 1

Notice of Meeting

Notice is hereby given that the forty-sixth 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 Wednesday, 25 June 2014, at 2.00 p.m. to consider, and if thought fit, pass the resolutions below:

The resolutions numbered 1 to 15, and 18 to 21 are proposed as ordinary resolutions and must receive more than 50% of the votes cast in order to be passed. The resolutions numbered 16 and 17 are proposed as special resolutions, and must receive at least 75% of the votes cast in order to be passed.

Report and Accounts

- 1. That the Reports of the Directors and Auditors and the audited accounts for the financial year ended 31 December 2013 be received.**

The Directors are required to present the 2013 Report and Accounts at the Annual General Meeting.

Election and Re-Election of Directors

- 4, 5 and 8 (Chief Executive Officer, Chief Financial Officer and Chairman)**

To elect or re-elect by separate resolutions: (a) Ross McEwan as a director, (b) Ewen Stevenson as a director and (c) Philip Hampton as a director.

- 2, 3, 6, 7, 9, 10, 11 and 12 (Non-executive directors)**

To elect or re-elect by separate resolutions: (a) Morten Friis as a director, (b) Robert Gillespie as a director, (c) Sandy Crombie as a director, (d) Alison Davis as a director, (e) Penny Hughes as a director, (f) Brendan Nelson as a director, (g) Baroness Noakes as a director and (h) Philip Scott as a director, in each case, if rule LR 9.2.2ER of the Listing Rules of the Financial Conduct Authority is applicable, on the condition that, unless that election or re-election is either approved at this Annual General Meeting by those persons entitled to vote on the resolution for election or re-election that are not controlling shareholders (as defined in rule LR 6.1.2AR 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, for 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 re-election on an annual basis.

All of the non-executive directors offering themselves for election or re-election are highly experienced and have a broad knowledge of the international financial services industry. In view of their career experience and connections with other organisations, the board of directors of the Company (the "Board") considers that they each bring valuable skills to the Board and provide an objective perspective.

The CG Code requires that, when non-executive directors are proposed for election or re-election, confirmation is given that, following formal evaluation, their performance continues to be effective and demonstrates commitment to the role of non-executive director. The performance of the non-executive directors, with the exception of Morten Friis and Robert Gillespie who recently joined the Board, has been formally evaluated by the Chairman and each is considered to be effective and to demonstrate commitment to the role.

Under recent changes to the Listing Rules of the Financial Conduct Authority, the election or re-election by the shareholders of an independent director must be approved by an ordinary resolution and separately approved by the shareholders who are not controlling shareholders (as defined in rule LR 6.1.2AR of the Listing Rules of the Financial Conduct Authority). 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 2, 3, 6, 7, and 9 to 12 each provide that if the relevant Listing Rule has become applicable and 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 will be sought by a separate vote, which in each case will be held immediately after the vote on the corresponding resolution and will be conducted and (if it receives more than 50% of the votes cast) approved in the same way as if it was an ordinary resolution, save that no controlling shareholder will be entitled to cast any votes.

For resolutions 2, 3, 6, 7 and 9 to 12 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 changes to 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 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 2013 Annual Report and Accounts, 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 where she is a member of its Economic Affairs Committee and Audit Committee and was chairman of its Select Committee on personal service companies; 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, including Baroness Noakes, was considered as part of the Board evaluation process and the Board is able to confirm that all of the independent directors standing for election or re-election are effective.

Independence of all directors is continually monitored and the procedure in place for authorising actual or potential conflicts of interest is set out in page 46 of the Governance Report in the Annual Report and Accounts. All of the independent directors meet the CG Code requirements to be treated as independent.

The Group Nominations Committee takes into account independence when recommending new directors to the Board and the operation of the Nominations Committee is set out in more detail in page 50 of the Annual Report and Accounts.

Biographical details of all the directors are contained in the Report and Accounts and in the Strategic Report with the exception of Morten Friis and Ewen Stevenson which are detailed below.

Morten Friis

Morten (61) has 34 years financial services experience and has previously held various roles at Royal Bank of Canada and its subsidiaries including Associate Director at Orion Royal Bank, Vice President, Business Banking and Vice President, Financial Institutions. In 1997, he was appointed as Senior Vice President, Group Risk Management and served as the Chief Credit Officer then Chief Risk Officer from 2004 to 2014. He was also previously a Director of RBC Bank (USA), Westbury Life Insurance Company, RBC Life Insurance Company and of RBC Dexia Investor Services Trust Company.

He is a member of the Board of Directors of The Canadian Institute for Advanced Research, the Harvard Business School Club of Toronto and the Philadelphia-based Risk Management Association.

Ewen Stevenson

Ewen (47) joins from Credit Suisse, London, where he was Co-Head of its EMEA Investment Banking Department and its Global Financial Institutions Group, Investment Banking. Ewen has been with Credit Suisse in the UK and New Zealand throughout his career, which spans 25 years. Having quickly progressed to senior positions within its Investment Banking Department, Ewen has extensive management and restructuring experience. In 2008 and 2009 he was a senior member of the Credit Suisse team advising HM Treasury on the recapitalisations of RBS and Lloyds Banking Group and the good bank/bad bank restructuring of Northern Rock.

Ewen was born in the UK and was raised and educated in New Zealand. He holds a Bachelor of Commerce and Administration (majoring in accountancy) and a Bachelor of Laws.

Re-appointment of Auditors and Auditors' Remuneration

13. That Deloitte 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.

14. 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 Deloitte LLP as the Company's auditors until the next Annual General Meeting, and to authorise the Group Audit Committee to fix the auditors' remuneration. The Company's audit committee has recommended to the Board that Deloitte LLP be re-appointed. Details of the auditors' remuneration can be found in Note 5 of the Notes on the Accounts in the Report and Accounts.

Renewal of General Allotment Authority

15. 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 £2,080,733,264 (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 £2,080,733,264); and
- (ii) comprising equity securities (as defined in section 560 of the Companies Act 2006) up to a maximum nominal amount of £4,161,466,528 (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 2015, 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 2013.

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 £2,080,733,264 representing one-third of the Company's issued ordinary share capital on 12 May 2014 (the latest practicable date before the printing of the Notice).

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 £4,161,466,528, representing two-thirds of the Company's issued ordinary share capital on 12 May 2014 (the latest practicable date before the printing of the Notice). As at that date, the Company did not hold any treasury shares.

The Company has passed resolutions renewing the directors' allotment authority at the Annual General Meeting for a number of years. As part of capital planning related to macro-prudential discussions with the Prudential Regulation Authority, the directors may consider and approve new issuance in an amount not to exceed £300 million sold on a phased basis over the balance of 2014 to neutralise in part the capital impacts of discretionary coupon payments. Other than the above the directors have no present intention to exercise the authority.

It is considered prudent to maintain the maximum flexibility permitted by institutional guidelines. If they do exercise the authority in sub-paragraph (ii) of the resolution 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 2015 or the close of business on 30 June 2015, 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

16. That subject to the passing of Resolution 15:

(A) 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) for cash, either pursuant to the authority conferred by Resolution 15 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 15(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, 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 15(i), and/or by virtue of section 560(3) of the Companies Act 2006, up to a maximum nominal amount of £312,109,989.**

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 2015, 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; 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 2015.

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 £312,109,989 (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.

If approved, the authority will expire at the end of the Annual General Meeting in 2015 or the close of business on 30 June 2015 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.

General Meetings

17. 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 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, 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 2015, when it is intended that a similar resolution will be proposed.

Political Donations

18. 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 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 2015 or on 30 June 2015, 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 2006 Act.

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 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, 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 Companies Act 2006.

The penalties for breach of the legislation are severe, even if the breach is inadvertent. At the Annual General Meeting in 2013 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 Annual General Meeting of the Company in 2015.

Directors’ Remuneration Policy and Report

- 19. That the Directors’ Remuneration Policy in the Directors’ Remuneration Report for the financial year ended 31 December 2013, as set out on pages 69 to 75 of the Report and Accounts, be approved.**

Directors’ Remuneration Report

- 20. That the Annual Report on Remuneration in the Directors’ Remuneration Report for the financial year ended 31 December 2013, as set out on pages 66 to 68 and 76 to 86 of the Report and Accounts, be approved.**

You will be asked to approve two parts of the Directors’ Remuneration Report. The Directors’ Remuneration Report can be found on pages 66 to 86 of the Report and Accounts for 2013 and also on pages 40 to 60 in the Strategic Report.

The Directors’ Remuneration Policy sets out the forward-looking remuneration policy for Directors and is subject to a binding shareholder vote, in line with new UK legislation. The policy details each element of remuneration for Directors and how this supports delivery of strategic objectives and alignment with shareholders. Provided that the forward-looking remuneration policy is approved by shareholders, it will be capable of operating for a maximum period of three years, until the 2017 Annual General Meeting at the latest. Once approved, payments can only be made to Directors if they are in accordance with the agreed policy. If the Company wishes to make amendments to the policy during this period then a new policy must be submitted to shareholders for approval. The Company welcomes the new reporting requirements which are aligned with its own efforts to increase transparency on pay and also provides shareholders with a greater say in developing appropriate remuneration practices.

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.

As announced on 25 April 2014, the Board is not seeking approval from shareholders at the 2014 Annual General Meeting in order to award variable remuneration up to 200% of fixed remuneration, the 2:1 ratio. Instead, the Company will work within the constraints of the 1:1 ratio (of variable to fixed remuneration) for employees subject to the Prudential Regulation Authority’s Remuneration Code (the “Code”) to deliver a remuneration structure that is aligned with shareholders’ interests and compliant with the requirements of the fourth EU Capital Requirements Directive.

A simplified remuneration structure is being proposed for executive directors, with annual bonuses being discontinued. Variable pay will consist of a single long-term incentive award linked to performance criteria in line with the Company’s new strategy. The vesting period will be extended to five years, with a three year performance period and vesting in equal tranches in years four and five. A fixed share allowance will be introduced, paid entirely in ordinary shares and released in equal tranches over a five year period.

The new structure results in a 16% reduction on the previous year's maximum remuneration opportunity whilst maintaining significant exposure in ordinary shares and with increased holding periods. In addition, Ross McEwan, Group Chief Executive, has confirmed to the Board that he does not wish to receive a fixed share allowance in 2014. In practice this means that Mr McEwan's remuneration for 2014 will be based on salary, pension and benefit funding, and the grant of a long-term incentive award, the value of which will be calculated in line with the requirements of the 1:1 ratio.

RBS 2014 Employee Share Plan

21. That the rules of the RBS 2014 Employee Share Plan (the "2014 Plan"), the principal terms of which are summarised in Appendix 1 to the Chairman's Letter to shareholders dated 19 May 2014 and produced in draft to this Meeting and for the purposes of identification initialled by the Chairman, be approved and the Directors be authorised to:

(a) do all such acts and things necessary or desirable for the purposes of implementing and giving effect to the 2014 Plan; and

(b) establish such appendices, schedules, supplements or further plans based on the 2014 Plan but modified to take advantage of or to comply with overseas securities law, exchange control and tax legislation, provided that any ordinary shares made available under any such appendices, schedules, supplements or further plans are treated as counting against the limits and overall participation in the 2014 Plan.

The Company proposes to introduce the 2014 Plan to replace the RBS 2010 Deferral Plan (the "Deferral Plan"), which expires in December 2014, and the RBS 2010 Long Term Incentive Plan (the "LTIP"). It is intended that no further awards will be made under these existing plans and that the 2014 Plan will become the main RBS employee share plan going forward. With the new 2014 Plan we are seeking to meet both current best practice and emerging regulatory requirements. The 2014 Plan combines many similar features of the Deferral Plan and the LTIP and will enable the Company to grant awards over ordinary shares, a wide range of alternative instruments including securities, debt and also cash. The 2014 Plan contains the ability to apply both malus and clawback to awards in appropriate circumstances.

The 2014 Plan is summarised in Appendix 1.

A copy of the 2014 Plan rules will be available for inspection at the Company's registered office, 36 St Andrew Square, Edinburgh, EH2 2YB and at Linklaters LLP, One Silk Street, London EC2T 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 before and during the Annual General Meeting.

By order of the Board,

Aileen Taylor

Company Secretary and Chief Corporate Governance Officer
36 St Andrew Square, Edinburgh
14 May 2014

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 23 June 2014, 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 June 2014 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, in each case so as to be received no later than 2.00 p.m. on 23 June 2014. 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.
6. As at 12 May 2014 (being the latest practicable date prior to the printing of this Notice), the issued share capital of the Company conferring the right to vote at the Annual General Meeting consisted of 6,242,199,792 ordinary shares carrying four votes each on a poll, 400,000 5.5 per cent. cumulative preference shares carrying four votes each on a poll and 500,000 11 per cent. cumulative preference shares carrying four votes each on a poll. Therefore, the total number of voting rights in the Company as at 12 May 2014 was 24,972,399,168.
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
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. You may not use any electronic address provided in either this Notice of Annual General Meeting or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.
12. The following documents will be available for inspection at the Company's registered office at 36 St Andrew Square, Edinburgh EH2 2YB and at Linklaters LLP, One Silk Street, London EC2Y 8HQ during normal business hours until the close of the Annual General Meeting and at the place of the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting:
 - (i) copies of the executive directors' service contracts;
 - (ii) copies of the letters of appointment for non-executive directors; and
 - (iii) the rules of the RBS 2014 Employee Share Plan.

Section 2

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 "Strategic Report" which includes information on the Company's development, performance, strategy, business model, the remuneration report and the principal risks and uncertainties faced.

If you wish to change your election in this regard please contact our Registrar on +44 (0)870 702 0135 or write to Computershare at the address provided in the contact details section.

Shareholder questions

At the Annual General Meeting members attending the meeting have the right to ask questions, as stated in Note 8 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 and independent director approval votes to be proposed at the Annual General Meeting and which is for use by holders of ordinary shares and cumulative preference shares. If you are a person nominated under section 146 of the Companies Act 2006 to enjoy information rights, please read Note 3 to the Notice of 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 23 June 2014. 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 reverse of the Form of Proxy.

At the Annual General Meeting we will disclose, for each resolution or approval vote, 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 or approval vote.

Voting at the Annual General Meeting in respect of each resolution or approval vote 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.

AGM Webcast

The Annual General Meeting can be viewed the following day via our webcast at www.rbs.com/agm. The webcast may include question and answer sessions with shareholders in addition to background shots of those present in the auditorium. If you attend the AGM in person, you may be included in the webcast. Please note that the broadcast footage may be transferred outside the European Economic Area.

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 desks.

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. 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: +44 (0)870 702 0135
Facsimile: +44 (0)870 703 6009

Corporate Governance and Secretariat
The Royal Bank of Scotland Group plc
PO Box 1000
Gogarburn
Edinburgh
EH12 1HQ
Telephone: +44 (0)131 556 8555
Facsimile: +44 (0)131 626 3081

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

Auditors
Deloitte LLP, Chartered
Accountants and Registered
Auditors, Edinburgh

Appendix 1

Summary of the main features of the proposed RBS 2014 Employee Share Plan

The Board is recommending to shareholders a new umbrella employee share plan, the RBS 2014 Employee Share Plan (the “2014 Plan”). The 2014 Plan is intended to replace the existing RBS 2010 Deferral Plan (the “Deferral Plan”), which expires in December 2014, and the RBS 2010 Long Term Incentive Plan (the “LTIP”).

The 2014 Plan incorporates many features which are similar to those of the Deferral Plan and the LTIP. It is intended that no further awards will be made under the Deferral Plan or the LTIP and that the 2014 Plan will be the main RBS employee share plan going forward.

The principal features of the 2014 Plan are summarised below. Paragraphs 1 to 11 summarise the principal features of the 2014 Plan as it applies to awards granted in mandatory substitution of annual bonus and/or as a long term incentive. Paragraph 12 summarises the principal features of the 2014 Plan as it applies to awards granted as fixed remuneration role-based allowances.

1. Eligibility

All employees of the Company and its subsidiaries (including executive directors) are eligible to participate, as are former employees who were employed at any time in the performance year before the intended grant of an award. Participation in the 2014 Plan is at the discretion of the Group Performance and Remuneration Committee (the “Committee”).

2. Form of awards

The 2014 Plan allows for awards to take the form of conditional awards, forfeitable awards or options. Awards may be granted in respect of ‘award assets’ which is defined widely and includes ordinary shares, debentures or debt (whether or not convertible) or other securities issued by the Company or any subsidiary.

Awards may be granted in mandatory substitution of any annual bonus which might otherwise become payable in respect of a financial year, and/or as a long term incentive. Awards granted as a form of long term incentive (as opposed to awards granted in mandatory substitution of annual bonus) will normally be subject to the satisfaction of performance conditions set by the Committee.

The performance conditions which will apply to long term incentive awards granted to executive directors in 2015 will be determined in accordance with the Directors’ Remuneration Policy and will be set out in detail in the Directors’ Remuneration Report for the year ended 31 December 2014. The Company will consult with its major shareholders prior to these conditions being set.

The 2014 Plan also includes specific schedules under which awards can be granted:

- on similar terms over asset types other than ordinary shares, debentures, debt or securities, which would include cash; and
- as fixed remuneration role-based allowances.

3. Grant of awards

The 2014 Plan may be operated within six weeks of the announcement of the Company’s results for any period as well as within six weeks of shareholder approval of the 2014 Plan. Provided dealing restrictions do not apply, awards may be granted at other times, including where exceptional circumstances exist or following changes to legislation or regulations affecting share plans. Awards which are intended to replace incentives forfeited by an employee on leaving a previous employment will be granted within six weeks of the employee joining, as far as it is reasonably practicable to do so.

It is proposed that the 2015 annual grant of long term incentive share awards to executive directors, under the 2014 Plan, will:

- have a total vesting period of five years;
- vest in equal tranches in years 4 and 5;
- be subject to vesting performance conditions measured over a minimum three year period; and
- be subject to post-vesting retention periods as required under the Code.

Under the proposed Directors' Remuneration Policy, we have committed that executive directors will not receive annual bonuses, and accordingly will not receive any awards in mandatory substitution of annual bonus.

4. Individual limits

Awards must not be granted if it would cause the market value (as at the award date) of the 'award assets' subject to such awards, granted in respect of a financial year, to exceed:

- if granted in mandatory substitution of an annual bonus, the value of such bonus; or
- if granted as a long term incentive, 400% of annual basic salary, although in exceptional circumstances this limit may be exceeded.

These limits are mutually exclusive. They do not apply to awards granted as replacement for awards forfeited by an employee on leaving previous employment. However, such replacement awards cannot exceed the value of the relevant awards forfeited.

Note that the normal policy in respect of executive directors, as set out in the Directors' Remuneration Report, is to grant long term incentive awards for a particular financial year with a value of up to 300% of annual basic salary.

In addition, awards must not be granted in breach of any overriding limit imposed under the Code, including the cap limiting the ratio of variable to fixed remuneration or any other legislation or regulation applicable to the 2014 Plan.

5. Dilution limits

In any 10 year period, not more than 10 per cent of the issued ordinary share capital of the Company, including B Shares, may be issued or committed to be issued in respect of awards under the 2014 Plan (including fixed remuneration role-based allowances) and all other employee share plans operated by the Company.

In addition, in any 10 year period, not more than 5 per cent of the issued ordinary share capital of the Company, including B Shares, may be issued or committed to be issued in respect of awards under the 2014 Plan (including fixed remuneration role-based allowances but excluding awards granted in mandatory substitution of annual bonuses) and any other discretionary share plans operated by the Company.

Awards which have lapsed will not be counted and commitments to transfer treasury shares will be counted for so long as this is required by the Association of British Insurers' guidelines.

6. Reduction of awards (malus and clawback)

In compliance with the Code, the 2014 Plan includes malus provisions under which unvested awards may be reduced (if necessary to zero). The 2014 Plan also includes clawback provisions which may apply for a defined period after vesting, if determined by the Committee, and which require vested awards to be repaid (if necessary in full) at the Committee's discretion.

These provisions may be used after considering (amongst other things): performance of the Company, any member of the Group, any business area or team, or participant; any legal or regulatory compliance requirements; or any other matter considered relevant by the Committee.

7. Vesting of awards

Vesting, performance and option periods will be determined taking into account legal or regulatory requirements and market practice.

Vesting may be delayed in certain circumstances, for example, where a participant is subject to malus review or disciplinary action. If vesting is delayed, awards will not vest unless and until the Committee determines they should do so.

Awards will normally vest only to the extent any applicable performance or vesting conditions are satisfied, and, save in exceptional circumstances (see paragraph 8 below), provided that participants remain in continuous employment on the vesting date. Performance conditions or vesting conditions may be amended, and, in the case of performance conditions only, waived, if anything happens which causes the Committee to reasonably consider it appropriate to do so.

Awards may also be subject to malus and/or clawback (see paragraph 6 above) and a retention period which applies after vesting in respect of any 'award assets' which a participant receives on vesting (less any assets withheld to meet liabilities to tax).

8. Leaving employment

Awards will normally lapse when a participant leaves employment, unless the cessation of employment is due to:

- ill health, injury, or disability, established to the satisfaction of the Company;
- retirement, as determined by the Committee with the agreement of the participant's employer;
- redundancy, as determined by the Committee;
- the sale of the participant's employing company or business outside of the Group; or
- any other reason, at the Committee's absolute discretion,

in which case they will vest on the scheduled vesting date (or earlier if the Committee decides) subject to:

- the satisfaction of any performance or other vesting conditions;
- the participant not having engaged in detrimental activity;
- any malus reduction considered appropriate by the Committee; and
- in the case of awards granted as long term incentives only, and unless the Committee determines otherwise, a pro-rata reduction to reflect the proportion of the relevant performance period remaining on the date the participant leaves employment.

In addition, if a participant leaves employment due to the sale of his employing company or business outside of the Group, awards will only vest if the Committee decides not to make a determination under the corporate event provisions (see paragraph 9 below).

Awards granted in the form of options will be exercisable for 12 months from the later of the vesting date, or leaving date, after which they will lapse.

If a participant dies, his award will vest in full (and, where granted as an option, will be exercisable by his personal representative for 18 months from the date of death).

The Committee has the right to amend the leaver rules if this is considered necessary to comply with any requirements imposed under the Code or any other legislation or regulation.

9. Corporate events

Awards will vest where a person (or persons acting in concert) obtains control of the Company unless the Committee determines otherwise. Awards granted as long term incentives will vest subject to the satisfaction of performance conditions, as well as a pro rata reduction to reflect the proportion of the vesting period that is remaining at the time of the change of control, unless the Committee determines otherwise.

In the event of a variation in share capital, demerger, disposal of a business or a member of the Group, distribution (other than an ordinary dividend), delisting or flotation (of a Group company or company holding a business of the Group) or in the case of a transaction which in the Committee's opinion could affect the current or future value of 'award assets', awards are not affected unless the Committee decides that they should:

- vest in whole or in part, subject to any conditions that the Committee may impose;
- be exchanged for equivalent new awards;
- be adjusted, as to the number or amount of 'award assets' over which an award has been granted and/or as to any other terms; or
- be subject to some other treatment the Committee considers appropriate.

10. Amendments

The Committee may amend the 2014 Plan rules at any time and in any respect. However, prior shareholder approval will be required for any amendments to certain provisions which are to the advantage of participants. These provisions relate to: eligibility; limits; the basis for determining a participant's entitlement; any adjustment if there is a variation of capital; and the amendment power itself.

Shareholder approval is not required for minor amendments in order to: benefit the administration of the 2014 Plan; comply with or take account of any proposed or existing legislation; take account of any changes in legislation; or obtain or maintain favourable tax, exchange control, or regulatory treatment for the Company or any of its subsidiaries or any participant. This enables the Committee to implement further jurisdiction-specific plans based on the 2014 Plan rules, modified to take account of tax, exchange control or securities laws in non-UK jurisdictions, but still subject to the individual and dilution limits set out above.

In addition, shareholder approval will not be required to amend the leaver rules if such amendment is considered by the Committee necessary to comply with any requirements imposed under the Code or any other legislation or regulation.

11. Other provisions

Awards are not pensionable. Awards are not transferable, except on death when they may be transferred to the participant's personal representatives.

No awards may be granted more than 10 years after the date of the adoption of the 2014 Plan by the Board.

Participants who have been granted forfeitable awards will have dividend and voting rights and all other rights of a holder of the 'award assets' over which the forfeitable awards have been granted, except to the extent specified in the forfeitable share agreement.

Participants who have been granted conditional awards or options will have no dividend or voting rights or any other rights of a holder of the 'award assets' over which their awards have been granted, unless and until the 'award assets' are delivered. However, such participants may be entitled to receive an amount equal in value to any dividends (excluding any special dividends unless the Committee determines otherwise) or interest (calculated at such rate as the Committee may determine) that otherwise may have been payable on or in respect of the 'award assets' during the vesting period (or in the case of options and if the Committee determines the period from grant to exercise).

12. Allowance schedule

Fixed remuneration role-based allowances may be paid to employees of the Company and its subsidiaries (including executive directors), in respect of a period set by the Company, under Schedule 1 to the 2014 Plan ("Schedule 1"). Allowances may also be paid to former employees of the Company and its subsidiaries who were employed during part of the relevant period. The principal features of Schedule 1 are as follows:

Allowance payments

Allowances will be paid on a number of scheduled payment dates. They will not be subject to performance or detrimental activity conditions, nor to malus or clawback as the payments are fixed remuneration relating to particular 'roles' and are not in any way performance-linked.

It is proposed that allowances will be paid in respect of certain 'roles' carried out by individuals identified as 'Remuneration Code Staff' for the purposes of the Code. Executive directors will receive allowance payments of 100% of salary delivered entirely in ordinary shares, although the Group Chief Executive will not receive such a payment for 2014.

The terms and conditions that apply to allowances must be such that they qualify as fixed remuneration for the purposes of the Code or any other legislation or regulation. In the event that the allowances (in any form) do not qualify as fixed remuneration for the purposes of the Code, or any other legislation or regulation, no future payments (in that form) will be made.

The Company may require participants to enter into other agreements or elections as required in connection with their allowances.

Dilution limits

For the avoidance of doubt, the 10% in 10 year and 5% in 10 year dilution limits summarised in paragraph 5 above will also apply to any commitments to issue ordinary shares in respect of allowances in the same way they would apply to awards granted in the form of long term incentives under the 2014 Plan.

Retention

Payments of allowances (less any cash, ordinary shares or other assets withheld to meet liabilities to tax) will be subject to a retention period.

It is currently proposed that, following payment of allowances held by executive directors, ordinary shares will be released in equal tranches over a five year period.

Leavers

If a participant leaves the role in respect of which an allowance is payable, the allowance amount due to be paid on the next payment date will be subject to a pro rata reduction to reflect the proportion of the payment period remaining on the date the participant left the role. If the participant also left employment, the Committee may determine that the pro-rata reduction is by reference to the period remaining after cessation of employment. No further allowances will be paid to that participant in respect of that role for subsequent periods.

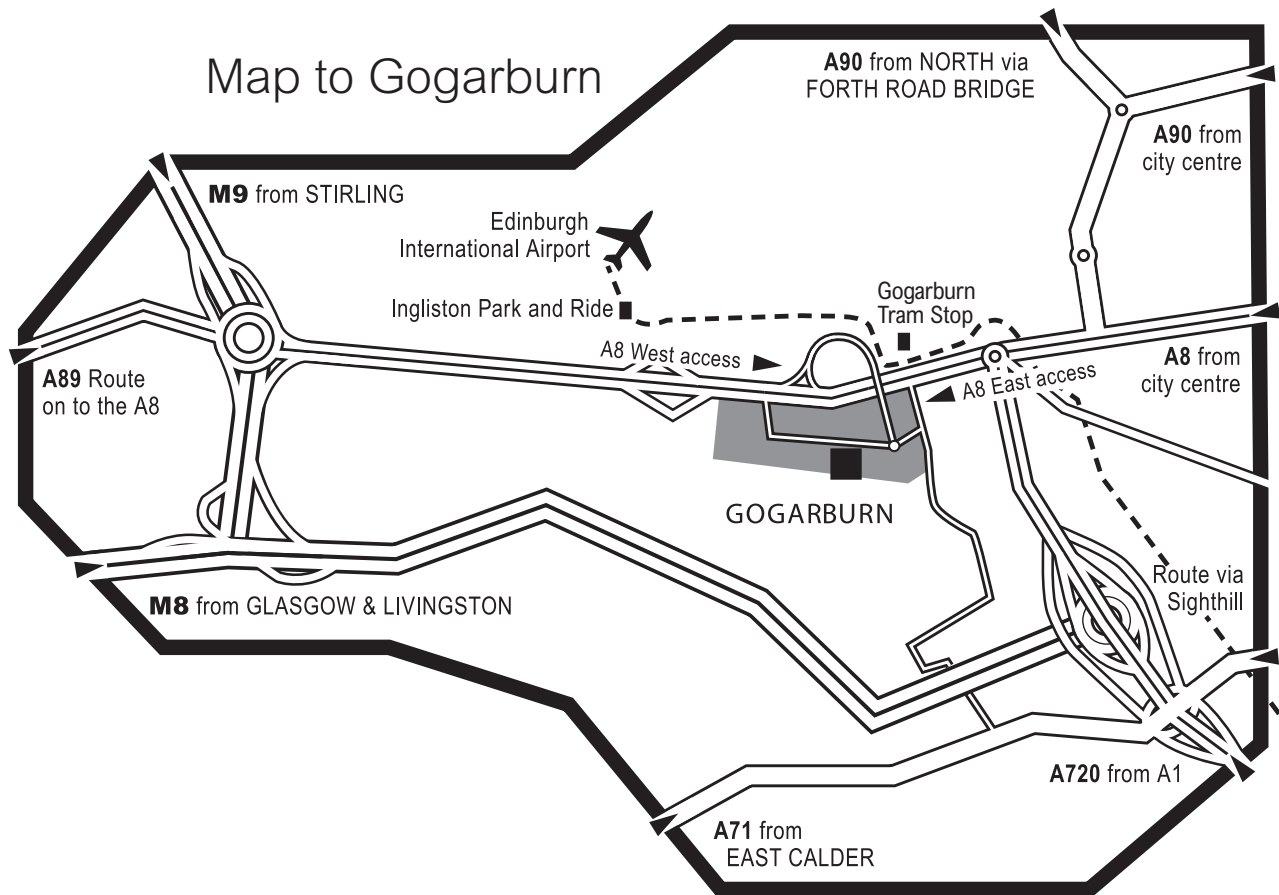
The Committee will have the right to amend the leaver rules if this is considered necessary to comply with any requirements imposed under the Code or any other legislation or regulation.

Change of control and corporate events

Allowances would continue to be paid following a change of control of the Company or other corporate event (as specified in paragraph 9 above), provided the participant remains 'in role'.

Amendments and other provisions

Paragraphs 10 and 11 above equally apply to allowances delivered under Schedule 1 to the extent relevant.



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 and 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

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.

The Edinburgh Tram service is due to become operational on 31 May 2014. For up to date information, including details of the Tram route please visit www.edinburghtrams.com