

## Letter to shareholders

Financial results for the year ended 31 December 2007  
and the 2008 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 Wednesday, 23 April 2008 at 2.00 p.m. in the Edinburgh International Conference Centre, The Exchange, Morrison Street, Edinburgh.

## Contents

Chairman's letter to shareholders

Section 1 The Notice of Annual General Meeting.

Section 2 Explanatory notes on the resolutions to be proposed at the Annual General Meeting.

Section 3 General information in relation to the Annual General Meeting and Report and Accounts.

Appendix 1 The full text of resolutions 12 to 18.

Appendix 2 Additional information on the amended Articles of Association.

## Forward Looking Statements

This document contains forward looking statements, including such statements within the meaning of Section 27A of the US Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements concern or may affect future matters, such as future economic results, business plans and strategies, of The Royal Bank of Scotland Group plc (the "Group") and are based upon the current expectations of the directors. They are subject to a number of risks and uncertainties that might cause actual results and events to differ materially from the expectations expressed in the forward looking statements. Factors that could cause or contribute to differences in current expectations include, but are not limited to, regulatory developments, competitive conditions, technological developments and general economic conditions. The Group assumes no responsibility to update any of the forward looking statements contained in this document.

Sir Tom McKillop  
Chairman



PO Box 1000  
Gogarburn  
Edinburgh EH12 1HQ  
Telephone: 0131 556 8555

14 March 2008

Dear Shareholder

I have pleasure in sending you our 2007 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 on Wednesday 23 April 2008. The Notice of Meeting and supporting information accompany and form part of this letter.

2007 was another successful year despite some of the most challenging market conditions in the financial and credit markets for many years, and I am very pleased that against this backdrop we have once again demonstrated the resilience of our Group. The diversity and quality of our business platform enabled us to deliver good financial results, while the increased synergies we now expect from the integration of ABN AMRO will help to accelerate delivery of the Group's capital regeneration commitments.

- Group operating profit up 9% to £10,282 million
- Profit after tax up 19% to £7,712 million
- Adjusted earnings per ordinary share up 18% to 78.7p
- Total dividend up 10% to 33.2p

As we enter 2008, our organic earnings momentum remains powerful, and we now have an additional range of attractive options in the world's largest and fastest growing economies. I am confident that we have the right people and the right capabilities to continue to prosper through the economic cycles.

Yours sincerely

A handwritten signature in blue ink, reading 'Tom McKillop', is located below the 'Yours sincerely' text. The signature is written in a cursive, flowing style.

## Section 1

### Notice of Meeting

Notice is hereby given that the fortieth Annual General Meeting of the members of The Royal Bank of Scotland Group plc will be held in the Edinburgh International Conference Centre, The Exchange, Morrison Street, Edinburgh on 23 April 2008, at 2.00 p.m. for the following purposes:

- 1 To receive and approve the accounts for the financial year ended 31 December 2007 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 2007.
- 3 To declare a final dividend on the ordinary shares.
- 4 To re-elect Mr C A M Buchan as a director.
- 5 To re-elect Dr J M Currie as a director.
- 6 To re-elect Mrs J C Kong as a director.
- 7 To re-elect Sir Tom McKillop as a director.
- 8 To re-elect Sir Steve Robson as a director.
- 9 To re-elect Mr G R Whittaker as a director.
- 10 To re-appoint Deloitte & Touche LLP as auditors.
- 11 To authorise the Audit Committee to fix the remuneration of the auditors.
- 12 To create additional ordinary shares.
- 13 To renew the directors' authority to allot ordinary shares.
- 14 To renew the directors' authority to allot shares on a non-pre-emptive basis.
- 15 To allow the purchase of its own shares by the company.
- 16 To create additional preference shares and renew the directors' authority to allot preference shares.
- 17 To renew authority to offer shares in lieu of a cash dividend.
- 18 To adopt new Articles of Association.

The resolutions to be proposed as additional business at the Annual General Meeting in respect of items 12 to 18 above are set out in full in Appendix 1 to the circular letter to shareholders dated 14 March 2008 of which this notice forms part.

Information on all the resolutions is contained in section 2.

By order of the board,

Miller McLean  
Secretary

36 St Andrew Square, Edinburgh  
27 February 2008

Notes:

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the company gives notice that only those shareholders entered on the register of members of the company at close of business on 21 April 2008 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. Changes to entries on the register after close of business on 21 April 2008 will be disregarded in determining the rights of any person to attend or vote at the meeting.
2. Every member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to exercise all or any of the member's rights to attend, speak and vote at the meeting. 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 that member. A proxy need not be a member of the company. A form appointing a proxy is enclosed with this notice and may be returned in the enclosed pre-paid envelope. To be effective, it must be completed and be received at the company's transfer office at The Pavilions, Bridgwater Road, Bristol BS99 6ZY by 2.00 p.m. on Monday 21 April 2008.
3. Any person to whom this notice is sent who is a person 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 paragraphs 2 above and 5 below does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the company.
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.
6. 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 executive directors' service contracts;
  - (ii) copies of letters of appointment for non-executive directors; and
  - (iii) the existing memorandum and articles of association of the company, the proposed new articles of association of the company and a copy of the existing articles of association marked up to show the changes proposed in resolution 18.

7. As at 28 February 2008 (being the last practicable day 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 10,007,100,855 ordinary shares of 25p each carrying one vote each, 400,000 5½ per cent cumulative preference shares of £1 each carrying four votes each, and 500,000 11 per cent cumulative preference shares of £1 each carrying four votes each. Therefore the total number of voting rights in the company as at 28 February 2008 is 10,010,700,855.
8. In order to facilitate voting by corporate representatives at the Annual General Meeting, arrangements will be put in place at the meeting to follow the procedure set out in the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives. Please see [www.icsa.org.uk](http://www.icsa.org.uk) for further details of this procedure or contact the company's Registrar on 0870 702 0135.

## 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 2007 Report and Accounts.

**Remuneration Report (resolution number 2)** You will be asked to approve the Remuneration Report. The Remuneration Report is on pages 105 to 114 of the Report and Accounts and a summary is included on pages 30 to 35 of the Annual Review and Summary Financial Statement.

**Final Dividend (resolution number 3)** You will be asked to declare a final dividend of 23.1 pence per ordinary share. Information on the company's Dividend Reinvestment Plan can be obtained from [www.rbs.com/shareholder](http://www.rbs.com/shareholder) or by telephoning the Registrar on 0870 702 0135.

**Re-election of Directors (resolutions numbered 4 to 9)** Under the company's articles of association, approximately one-third of our directors must retire by rotation every year. In addition, any directors with more than three years' service since their last re-election must seek re-election. Consequently, six directors are due to retire at the Annual General Meeting. The directors retiring by rotation and offering themselves for re-election are, in addition to myself, Colin Buchan, Jim Currie, Janis Kong, Sir Steve Robson and Guy Whittaker.

All of the non-executive directors offering themselves for re-election, namely Colin Buchan, Jim Currie, Janis Kong and Sir Steve Robson, 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 Combined 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 my non-executive colleagues who are seeking re-election.

Biographical details of all the directors are contained on pages 28 and 29 of the Annual Review and Summary Financial Statement and pages 92 and 93 of the Report and Accounts.

**Auditors (resolutions numbered 10 and 11)** You will be asked to vote on the re-appointment of Deloitte & Touche LLP as the company's auditors until the next Annual General Meeting, and to authorise the Audit Committee to fix the auditors' remuneration. The performance of the auditors has been evaluated by the company's Audit Committee, which has recommended to the Board that Deloitte & Touche LLP be re-appointed. Details of the auditors' remuneration can be found on page 143 of the Report and Accounts.

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

**Creation of Additional Ordinary Shares (resolution number 12)** This resolution will, if approved, increase the company's authorised share capital by the creation of a further 2.5 billion ordinary shares of 25 pence each. Ordinary shares are issued from time to time in connection with employee share schemes and certain corporate transactions. This increase of 21% in the current authorised ordinary share capital of the company will provide flexibility in future, but the directors' authority to allot the shares will be limited by resolutions 13 and 14. There are no plans to allot ordinary shares other than in connection with employee share schemes. The relevant resolution is set out in Appendix 1.

**Renewal of Annual Authority to allot Ordinary Shares (resolution number 13)** This resolution will, if approved, renew the directors' authority to allot unissued ordinary share capital until the Annual General Meeting in 2009. As indicated above ordinary shares may be issued from time to time in connection with employee share schemes and certain corporate transactions.

In accordance with institutional guidelines, this authority is restricted to shares up to an aggregate nominal value of £833,925,071 (representing 33% of the company's issued ordinary share capital on 28 February 2008, the latest practicable date before the printing of the notice). There are no plans to allot ordinary shares other than in connection with employee share schemes. The relevant resolution is set out in Appendix 1.

**Renewal of Annual Authority to allot Shares free from pre-emption restrictions (resolution number 14)** 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 (as defined in the Companies Act 1985, which includes the company's ordinary shares) for cash, free from the pre-emption restrictions set out in the Companies Act 1985. This authority, which will expire at the end of the Annual General Meeting in 2009 (or on 23 July 2009 if earlier), is limited to allotments of shares up to an aggregate nominal value of £125,088,760 (representing 5% of the issued ordinary share capital of the company) and to allotments in connection with a rights issue and any scrip dividend scheme. The authority will also include any sale by the company of shares held as treasury shares. The relevant resolution is set out in Appendix 1.

The directors intend to observe the institutional guidelines in respect of allotments of shares for cash. These presently require that the annual authority should not exceed 5% of the issued share capital and 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.

**Authority to purchase own shares (resolution number 15)** 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 company's authority to purchase its own ordinary shares on a recognised investment exchange. The authority will be restricted to 1,000,710,085 ordinary shares, which represent 10% of the issued ordinary share capital. The resolution also specifies the minimum and maximum prices at which the shares may be purchased.

The authority will expire at the next Annual General Meeting of the company or 18 months from the date of the resolution (whichever is the earlier). Resolution 15 is set out in Appendix 1.

The directors consider it may, in certain circumstances, be in the best interests of shareholders generally for the company to purchase its own shares. The directors will only make purchases where, in the light of market conditions prevailing at the time, they consider that such purchases will be in the best interests of shareholders generally and will result in an increase in earnings per ordinary share. Other investment opportunities, gearing levels and the overall position of the company will be taken into account in deciding upon this course of action.

The total number of options to subscribe for ordinary shares outstanding as at 28 February 2008, the latest practicable date prior to publication of this letter, are in respect of 185,210,994 ordinary shares, which represents 1.85% of the current issued ordinary share capital and would represent 2.06% if the full authority to purchase own shares were to be used.

The company will consider holding any of its own shares that it purchases pursuant to the authority conferred in this resolution as treasury shares. This may give the company the ability to re-issue treasury shares quickly and cost-effectively and may provide the company with additional flexibility in the management of its capital base, including the allotment of shares in relation to employee share schemes. No dividends will be paid on shares while held in Treasury (although they will be included in any bonus issue of fully paid shares), and no voting rights will attach to them.



**Additional Category II Non-cumulative Dollar Preference Shares and renewal of Authority to allot Preference Shares (resolution number 16)** Raising capital by the issue of preference shares has enabled the company to fund the expansion of its business without recourse to ordinary shareholders. This method of raising capital has proved effective and the company may resort to this method again, and therefore permission is sought from shareholders to create a further 96.5 million Category II Non-cumulative Dollar Preference Shares. This resolution will, in addition, if approved, renew the directors' authority to allot unissued preference share capital for a further five year period. The authority extends to the newly created, and the 95.485 million existing unissued, Category II Non-cumulative Dollar Preference Shares, the 63.474 million existing unissued Non-cumulative Euro Preference Shares and the 299.25 million existing unissued Non-cumulative Sterling Preference Shares. The relevant resolution is set out in Appendix 1.

**Renewal of Scrip Dividend Authority (resolution number 17)** This resolution renews the directors' authority to offer shares in lieu of a cash dividend. The current authority expires at the Annual General Meeting and whilst the company does not offer such a facility at present the directors believe that flexibility to do so should be preserved. The authority, if renewed, will remain in force until the Annual General Meeting held in 2013. Resolution 17 is set out in Appendix 1.

**Amendments to the Articles of Association (resolution number 18)** The proposed amendments are primarily designed to update the company's articles of association to take account of changes in company law introduced by the Companies Act 2006. The Companies Act 2006 is being implemented in phases, with further provisions being brought into force on 6 April 2008 and 1 October 2008. The proposed new articles of association reflect those provisions of the Act which have already been implemented and those which will be brought into force during 2008. The proposed amendment to the articles of association relating to directors' interests will not apply until 1 October 2008, as that is the date on which the relevant provision in the Act will be brought into force. The other amendments to the articles of association will, if approved, apply from the end of the Annual General Meeting. The principal changes to the articles of association are summarised in Appendix 2, and resolution 18 (which will be proposed as a special resolution and requires the approval of three-quarters of the votes cast at the meeting) is set out in Appendix 1. The company intends to revise its articles of association to reflect fully the Companies Act 2006 once all of the provisions are in force. The final provisions of the legislation are expected to be implemented on 1 October 2009.

#### **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.

## 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 receive only the Annual Review and Summary Financial Statement in future, you do not need to take any action. However, if you wish to receive the Report and Accounts, please complete and return the yellow coloured form (if you have not previously done so) in the enclosed pre-paid envelope.

No matter what you decide, you may subsequently change your mind at any time by writing to our Registrar or by completing and returning the form which will be included each year with the Annual Review and Summary Financial Statement.

### Shareholder Questions

In recent years we have invited you to submit questions in advance of the Annual General Meeting and a card is enclosed for this purpose. If you wish to ask a question, please complete and return the card by 16 April 2008 in the enclosed pre-paid envelope.

At the Annual General Meeting we will respond to the issues which, on the basis of the questions submitted to us, appear to be of most interest to shareholders. In any event we will reply, in writing, to all questions submitted as soon as possible after the meeting. However, submitting a question now will not preclude you from asking that question, or any other question, at the meeting.

### 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 of 25p, 5½% cumulative preference shares of £1 and 11% cumulative preference shares of £1. 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 Monday 21 April 2008. 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. The directors believe it is important that the intentions of all members who register a vote are fully taken into account. 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  
Business House F  
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 [www.rbs.com](http://www.rbs.com)

Auditors  
Deloitte & Touche LLP  
Chartered Accountants and  
Registered Auditors  
Edinburgh

## 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 23 April 2008 at 2.00 p.m. in the Edinburgh International Conference Centre, The Exchange, Morrison Street, Edinburgh.

Resolutions 14, 15 and 18 will be proposed as special resolutions.

### 12 Ordinary Resolution

That the authorised share capital of the company be increased by £625,000,000 by the creation of an additional 2,500,000,000 ordinary shares of 25p each in the capital of the company, such shares forming one class with the existing ordinary shares and having attached thereto the respective rights and privileges and being subject to the limitations and restrictions set out in the Articles of Association of the company.

### 13 Ordinary Resolution

That (in addition and without prejudice to the authority conferred by the ordinary resolution of the company passed on 10 August 2007) the power conferred on the Directors by paragraph (1) of Article 13(B) of the company's Articles of Association be renewed for a period commencing on the date of passing of this resolution and ending at the conclusion of the Annual General Meeting in 2009 and for that purpose the "Section 80 amount" shall be £833,925,071.

### 14 Special Resolution

That subject to the passing of the preceding resolution, the power conferred on the Directors by paragraph (2) of Article 13(B) of the company's Articles of Association be renewed for the period ending at the conclusion of the Annual General Meeting in 2009 or on 23 July 2009, whichever is the earlier, and for that purpose the "Section 89 amount" shall be £125,088,760.

### 15 Special Resolution

That, pursuant to Article 11 of the Articles of Association of the company, the company is generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of ordinary shares of 25p each in the capital of the company, provided that:

- (A) the maximum number of ordinary shares to be purchased is 1,000,710,085 (representing 10% of the issued ordinary share capital);
- (B) the minimum price which may be paid for an ordinary share is 25p per share which amount shall be exclusive of expenses;
- (C) the maximum price (exclusive of expenses) which may be paid for an ordinary share is, in respect of an ordinary share contracted to be purchased on any day, the higher of (i) an amount equal to 105% of the average of the mid-market quotations for an ordinary share of the company as derived from The Daily Official List of The London Stock Exchange for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased and (ii) that stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation (Commission Regulation (EC) of 22 December 2003 (Number 2273/2003));
- (D) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the company following the passing of this resolution or 18 months from the date of this resolution (whichever is the earlier) unless such authority is renewed prior to such time; and
- (E) the company may conclude a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after such expiry, and may make a purchase of ordinary shares in pursuance of any such contract as if the authority hereby conferred had not expired.

16 Ordinary Resolution

- (A) That the authorised share capital of the company be and it is hereby increased by US\$965,000 by the creation of 96,500,000 additional Category II Non-cumulative Dollar Preference Shares of US\$0.01 each, such shares having attached thereto the rights and being subject to the limitations set out in the Articles of Association of the company; and
- (B) That for the purposes of Section 80 of the Companies Act 1985 the Directors be and they are hereby generally and unconditionally authorised to exercise all the powers of the company to allot (1) all of the 96,500,000 Category II Non-cumulative Dollar Preference Shares of US\$0.01 each created pursuant to paragraph (A) of this resolution, (2) all of the existing 95,485,000 authorised but unissued Category II Non-cumulative Dollar Preference Shares of US\$0.01 each, (3) all of the existing 63,474,000 authorised but unissued Non-cumulative Euro Preference Shares of €0.01 each and (4) all of the existing 299,250,000 authorised but unissued Non-cumulative Sterling Preference Shares of £1 each, provided that this authority shall 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 relevant securities (within the meaning of the said Section 80) to be allotted after the expiry of such period and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority hereby conferred had not expired. This authority is in addition and without prejudice to the authorities conferred by resolution number 13 above, and the ordinary resolution passed on 10 August 2007, but in substitution for all other subsisting authorities, to the extent unused.

17 Ordinary Resolution

That the Directors are hereby authorised:

- (A) to exercise the power contained in Article 143 of the Articles of Association of the company so that to the extent determined by the Directors the holders of ordinary shares be permitted to elect to receive new ordinary shares in the capital of the company, credited as fully paid, instead of all or part of any dividend declared or paid on ordinary shares of the company after the date of passing of this resolution and before the Annual General Meeting in 2013; and
- (B) to capitalise the appropriate nominal amount of additional ordinary shares, falling to be allotted pursuant to elections made as aforesaid, out of the amount standing to the credit of the reserves of the company, to apply such sum in paying up such ordinary shares and to allot such ordinary shares to members of the company validly making such elections.

18 Special Resolution

That, with effect from the conclusion of the meeting, the Articles of Association contained in the document produced to the meeting and signed by the Chairman for the purposes of identification be approved and adopted as the new Articles of Association of the company in substitution for, and to the exclusion of, the existing Articles of Association.

## Appendix 2

### Adoption of new articles of association – explanatory notes on the proposed changes

#### 1. General

The proposed amendments to the articles of association reflect recent changes in the law following the bringing into force of certain provisions of the Companies Act 2006 (“the 2006 Act”). Certain definitions and expressions used throughout the articles of association have been changed to align them with definitions and expressions used in the 2006 Act. The main changes introduced in the new articles of association are detailed below.

#### 2. Form of resolution

Article 2 contained a provision relating in part to extraordinary resolutions. This is being amended as the concept of an extraordinary resolution has not been retained in the 2006 Act.

#### 3. Convening annual and other general meetings (article 56)

The provisions in the articles of association dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform to the provisions in the 2006 Act. In particular, a general meeting (other than an annual general meeting) to consider a special resolution can be convened on 14 days’ notice, whereas previously 21 days’ notice was required.

#### 4. Proxies (articles 83 and 84)

Under the 2006 Act, a proxy is entitled to exercise the rights to attend and to speak and vote at a meeting of the company. The time limits for the appointment or termination of a proxy appointment have been altered by the 2006 Act so that the articles of association cannot provide that they should be received more than 48 hours before the meeting or adjourned meeting, or in the case of a poll taken more than 48 hours after it was demanded, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to different shares held by the shareholder. The articles of association reflect all of these new provisions.

#### 5. Directors’ interests (New article 100)

The 2006 Act sets out a directors’ general duties, which largely codifies the existing law, but with some changes. Under the 2006 Act, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company’s interests. This requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. Currently, directors discuss such proposed positions with the company before taking them up and there are actions directors can take to avoid a breach of their duties if an actual conflict arises. The 2006 Act allows directors of public companies, where appropriate, to authorise conflicts and potential conflicts where the articles of association contain a provision to this effect. The 2006 Act also allows the articles of association to contain other provisions for dealing with directors’ conflicts of interest to avoid a breach of duty. The new article 100, to take effect from 1 October 2008, would give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when the directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision and secondly, in taking the decision, the directors must act in a way they consider, in good faith, will be most likely to promote the company’s success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

The new article will also contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors.

The changes to the articles of association would mean that the articles of association would be consistent with the 2006 Act providing the directors with the maximum flexibility in the conduct of business on behalf of the company.

It is the board's intention to report annually that the company's procedures for ensuring that the board's powers for authorisation of conflicts are being operated effectively.

6. Directors' liabilities (article 169)

The 2006 Act has widened the scope of powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with the company's activities as a trustee of the scheme. In addition the existing exemption, which allows a company to provide money for the purpose of funding a director's defence in court proceedings, now also expressly covers regulatory proceedings. The new article 169 reflects the wider provisions of the 2006 Act.

The proposed new articles of association showing all the changes to the existing articles of association are available for inspection, as noted on page 5 of this document.



# CITY CENTRE MAP

**EICC, The Exchange, Morrison Street,  
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The main entrance to the EICC is on **Morrison Street** where there is a coach drop off point.  
Access to the EICC Loading Bay is from the **West Approach Road**.  
There are a number of car parks within walking distance of the EICC, they are marked on the map.  
For further details on car parking please visit our website.  
Please note that there are a number of one way streets in close proximity to the EICC.

