

MRM/fcn

2 March 2009

Rt Hon John McFall
Treasury Committee
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Dear Mr McFall

I am responding to your letter to Stephen Hester of 27 February 2009 and have set out below the answers to your various questions.

The matters on which you seek information fall, primarily, under the authority of the Chairman of the Board, not the Group Chief Executive. In any event, both have requested that I respond to you on behalf of the Company.

This response has been compiled on the basis of discussions held over the weekend of 28 February/1 March 2009 with the principal individuals involved at RBS at the time and after a review of notes and minutes. It has not been possible in the time available, however, to speak to all former and current members of the Board nor to take those we have spoken to through the supporting material. It should be reviewed in that context.

1 The date on which the terms of Sir Fred's pension were agreed

2

Which individuals were party to these discussions with the DDC?

HM Treasury

Negotiations regarding the terms of the Government's...

are set out in the Company's Annual Report and Accounts. We are not aware of any specific negotiation in respect of these pension terms.

During the negotiation of the Compromise Agreement, Sir Tom McKillop, Bob Scott and Neil Roden were the only individuals from RBS engaged in direct discussion with Sir Fred Goodwin. Lord Myners also spoke directly

represented by Linklaters and Sir Fred by Maclay Murray & Spens.

The proposed terms of Sir Fred's Compromise Agreement were approved at a meeting of the Company's Remuneration Committee on 12 October 2008. The Non Executive Directors at the Chairman's Committee on 12 October (Stephen Hester not in attendance) accepted the Remuneration Committee's recommendation; however there was no discussion of any alternative basis of departure to that set out in paragraph 3 above.

- 5 What information was given to HM Treasury, and on what dates, about the terms of the pension and whether or not there was contractual entitlement**

In a telephone conversation with Lord Myners on 12 October 2008, Bob Scott

Case if he had been dismissed by the Board

If Sir Fred had been dismissed in circumstances which would entitle him to a pension

As a result of the Board's decision, Sir Fred would be entitled to a pension of £100,000 per annum. This is calculated as follows: £100,000 per annum x 100% = £100,000 per annum. This is the amount which would be payable to Sir Fred if he had been dismissed by the Board.

The Board's decision is based on the fact that Sir Fred was dismissed by the Board. This is a dismissal which would entitle him to a pension. The Board's decision is based on the fact that Sir Fred was dismissed by the Board.

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