

The RBS Group Retirement Savings Plan (the Plan)



January 2017

A message from the Chairman



It's important to save for the future

**More than 70% of employees
are building up valuable Plan
savings to provide for their
future retirement income.**

The Plan is a valuable part of your benefits package. The bank wants to support you to save for retirement and the Plan is designed to make an important contribution to your retirement income. Your ValueAccount includes an amount from the bank towards a pension that you can choose to pay into the Plan.

Our role as Trustees is to help you make the most of this significant benefit. We do this by providing you with information and support to explain the options and benefits available in the Plan. We also select and monitor the range of investment options and design the default investment strategy (for members who don't want to make their own investment choice).

Good news about the Plan's investments

The Trustees regularly monitor the range of investments available to members to check that:

- the investment performance meets our expectations; page 4 highlights one of the Plan's main funds, the Diversified Growth Fund.
- the charges continue to represent good value for money; we are pleased to report that the charge that members pay for the management of the Diversified Growth Fund is about half that of the typical charge made by other DC pension plans.

We will soon be introducing an additional investment option for members. You can find out more on page 3.

Welcome to new Trustee Board members

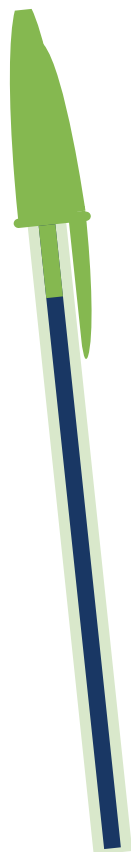
I would like to welcome Helen Lawson, Andrew Lewis, Donal Quaid and Ross Wood as the new Trustee Directors of RBS Retirement Savings Trustee Limited. This has increased the number of Trustee Directors on the Board from five to six. Both Donal and Ross are Member Nominated Trustees who were selected after a rigorous process undertaken by a selection panel comprising the Chairman, the Independent Director and a retiring Member Nominated Trustee.

I would also like to thank Robert Begbie, Carol Wilson and John Peters, the outgoing Trustee Directors, for all their hard work and support.



Robert Waugh
**Chairman, RBS Retirement Savings
Trustee Limited**

What the Plan gives you



- ✓ **Flexibility** - you decide how much to save, the Plan is an easy and tax efficient way to build up benefits
- ✓ **Choice** - you decide where to invest your Plan saving as well as how and when to take your benefits (subject to a minimum retirement age of 55)
- ✓ **Support** - you have access to telephone & email helplines and simple guides that explain how the Plan works, how to choose investment funds and your options when taking your Plan savings
- ✓ **Protection for your dependants** - the Plan provides financial support in the event of your death
- ✓ **Value for money** - the Trustees have negotiated competitive charges
- ✓ **Comfort** - the Trustees oversee how the Plan is managed and act in the best interest of members

Your benefit choices

Currently, you have the following options when you decide to take your Plan savings (the earliest age that most members can currently take these is 55):

All cash*	Cash* and annuity	All annuity	Transfer out

*Normally 25% of your Plan savings taken as cash will be tax-free.



New benefit option

The Trustees are currently considering offering members access to income drawdown in retirement through an arrangement with a leading third party provider. This would give members the opportunity to keep their retirement savings invested and take a flexible income, spreading the amount and timing of withdrawals in a way that suits their particular needs. It is intended that this option will be available in the summer on terms negotiated by the Trustees for Plan members.

Members will also keep the option to transfer their Plan savings to any individual arrangement that they choose from the market so they can also access this type of drawdown flexibility from another provider.

Your investment choices

Annuity Lifestyle Option

Lump Sum Lifestyle Option

Self Select fund range

NEW in 2017

Drawdown Lifestyle option

You can choose how your Plan savings are invested. There is a wide range of investment funds available for members with differing needs and attitudes to risk.

If you haven't made an investment election, your individual Account will be invested in the default fund. The Annuity Lifestyle Option is currently the Plan's default fund and it is designed for members who plan to buy an annuity (a guaranteed income) at retirement. Full details of how this fund works, what "lifestyling" means, the charges and past performance are available by visiting [RBSelect](#)

(see page 5). As well as the Annuity Lifestyle Option, you have the choice of the Lump Sum Lifestyle Option. This Lifestyle Option is designed for members who plan to take all their Plan savings as a cash lump sum, at or close to their Target Retirement Age.

If you want to choose and monitor your own investments there is also a range of Self-Select funds available. If you choose from the Self-Select range, its important to regularly monitor your investments to ensure that they continue to match your aims for the future.

New investment option

The Trustees are updating the Plan's systems and processes so that in the summer, you will have a third Lifestyle Option, the Drawdown Lifestyle Option. This is designed for members who plan to keep their Plan savings invested and take a flexible income, spreading the amount and timing of withdrawals. This is also called "income drawdown in retirement". In the longer term, the Trustees plan to make this the default fund. We will let all members know when this new Lifestyle Option becomes available.

Focus on investment performance

The Trustees regularly monitor the performance of the Plan's investments and the fund charges, to ensure that they remain competitive and continue to represent value for money for members.

One of the most important investment funds is the Diversified Growth Fund. This is because it is used in the growth phase of both the Annuity Lifestyle Option and the Lump Sum Lifestyle Option (when members have more than seven years until retirement). The Annuity Lifestyle Option is the Plan's default

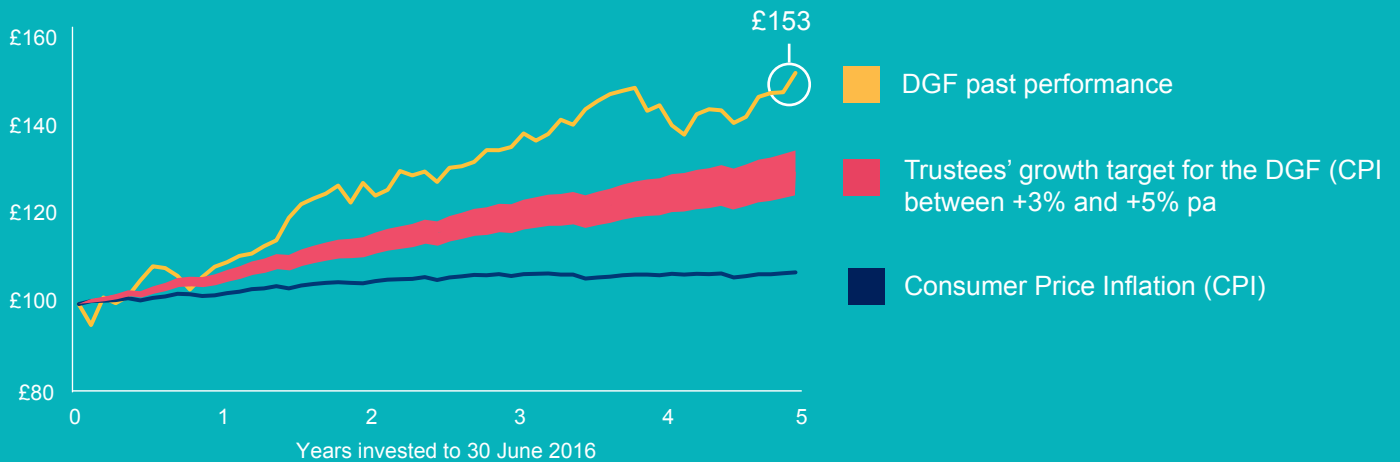
investment option and the majority of members are using this for the investment of their Plan savings.

The aim of the Diversified Growth Fund is to provide long-term growth, and an investment return above inflation. It is designed to deliver this by investing in a mix of equities and other diversifying assets which smooth out some of the equity market highs and lows. Achieving long-term growth above inflation will help maintain, and potentially increase, the future "buying power" of members' Plan savings.

Diversified Growth fund

We are pleased to report that the longer term performance of the Diversified Growth Fund (DGF) has been in line with our expectations - the chart below shows a comparison of past performance (before deduction of investment charges) to 30 June 2016 compared with the Trustees' growth target and price inflation.

You can see below that £100 invested in the DGF around 5 years ago would be worth £153 today (before the deduction of investment charges).



Value for money

The DGF charge is about half that of a typical DC pension plan.

Following the most recent governance review, we can confirm that the Diversified Growth Fund continues to represent good value for money for members. The charge that members pay for the management of this fund is about half that of the typical charge made by other DC pension plans during the growth phase of similar Lifestyle options.

It is important to remember that past performance is not a reliable indicator of future results. The value of your Scheme savings is not guaranteed and will fall and rise in line with the price of the investment funds which make up your investment choice.

Are you on track; what really matters?

For contributing members, the most important ingredients for building up retirement benefits are:

- 1 How much you save into the Plan
- 2 How your Plan savings are invested over time
- 3 How long you continue saving into the Plan

Think about taking advice

Neither the Trustees nor the Plan administrators can give you individual financial or tax advice. If you are planning or making decisions about your Plan savings, you should consider taking independent financial and/or tax advice. Go to www.moneyadvice.service.org.uk to find out more.

Are you saving enough into the Plan?

This will depend on how much you'll need in retirement, when you plan to start accessing your Plan savings, when you plan to stop or reduce paid work and your other personal circumstances. As an example, for every £10,000 of your Plan savings, you can currently buy a fixed pension for life (called an annuity) for yourself of around £400 a year from age 65.

Saving more; it's easy and won't cost as much as you think

It's easy for bank employees to save more into their Individual Accounts in the Plan. Using *RBSelect*, you can choose to use more of your ValueAccount towards your Plan savings at any time. This means you save tax and National Insurance too.

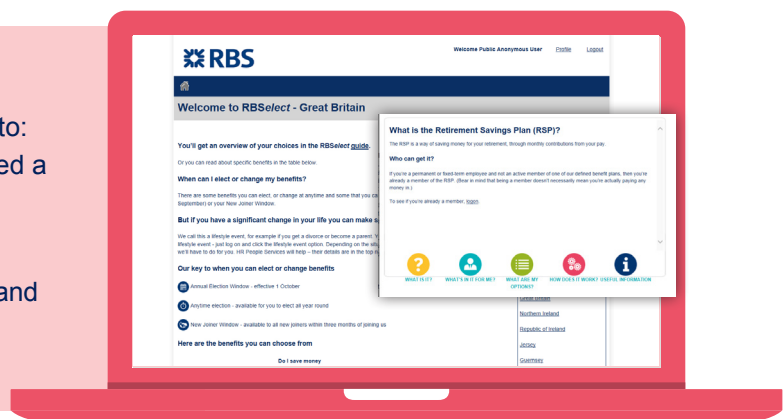
How are your Plan savings invested; have you reviewed your investment choice?


If you are a contributing member, you can change the way your future Plan savings are invested by logging on to *RBSelect* (see below). You can move your built up Plan savings (contributing members) or all your Plan savings (deferred members) by contacting Pension Services in writing (see page 8). You should take time to review the fund factsheets for full details of how the different investment choices work, the charges and past performance. These are available by visiting *RBSelect*.

Visit *RBSelect*

It's easy to review your options using *RBSelect*. Go to: www.rbspeople.com/rbselectonline. You don't need a password.

Go to "Learn More", choose Great Britain from the Locations list, choose the Retirement Savings Plan and select "What are my options?".





Keep your Plan record up to date

- 1 Target Retirement Age
- 2 Lump Sum Nomination Form
- 3 Current address

It's important to check your Target Retirement Age

It's important to review and update your Target Retirement Age, even if you are no longer a contributing member of the Plan.

When you joined the Plan you may have selected your own Target Retirement Age. If you have not selected your own Target Retirement Age, the Trustees assume that you intend to access your Plan savings at age 65 (55 for some former ABN members).

If you've chosen to invest in a Lifestyle Option and you then decide to access your Plan savings before your Target Retirement Age, you'll be taking your Plan savings before the automatic investment switching is complete. This increases the risk that the value of your Plan savings may fall sharply just at the point that you access them.

If you decide to access your Plan savings after your Target Retirement Age, your Plan savings will have been switched to investments that aim to provide greater certainty. This increases the risk that your Plan savings may miss out on some potential growth that could have been provided by your funds not being switched in this way.

How to check your Target Retirement Age

It's quick and easy to check your Target Retirement Age. Bank employees can log onto *RBSselect* or contact Pension Services in writing. All members can also find this on their Annual Benefit Statement enclosed with this newsletter.

Is your death benefit nomination up to date?

It's important to let the Trustees know your wishes by completing a Lump Sum Nomination Form and updating this, especially if your circumstances change. This will help ensure the benefits are settled without delay. You can download this form from *RBSselect* or you can contact Pension Services.

Have you moved recently?

Don't forget to let us know if you change address so that you don't miss out on important updates about the Plan. If you're an employee of the bank you can update your address on *Insite*.

If you're a deferred member you can write to Pension Services (see page 8) or email rbspensionplans@rbs.co.uk.

Changes to contribution refunds

Currently new joiners to the bank are defaulted into the Plan with a 10% of ValueAccount default contribution, and have a 90 day new joiner window in which to amend this. Individuals who opted to reduce their contributions in this 90 day new joiner window are then able to request a refund of the contributions paid in this new joiner window only. This is over and above what is required by law, and from 1 February 2017 this process will no longer be possible. Individuals who have not requested a refund by this date will no longer be able to receive

one. We have identified any current members of staff who we believe may be entitled to apply for a refund of their contributions before 1 February and will contact them separately to inform them of this option. Deferred members are being made aware via this newsletter.

In addition, legislation has changed for individuals who have more than 30 days but less than two years service. If these individuals leave the Plan, their contributions are now kept in the Plan, and invested as they choose, until such a time as they transfer or take their benefits.

Improving pension services

The bank is in the process of transforming its pension support. Look out for improvements and new services later this year.

The Trustees and the bank want to provide members with improved access to the information they need about their

Plan savings. They are planning to enhance the quality of member communications and provide online, self-service access for members. Members will receive more information about the changes early this year.

Trustees' Annual Report and Accounts



The Plan's Annual Report & Accounts can be accessed from *RBS*elect** and provides detailed information about the Plan's income & expenditure, the performance of the investment funds and the work the Trustees have been doing to ensure that the Plan is well managed.

Pensions news from the Autumn Statement 2016



In the 2016 Autumn Statement, the Government set out a small number of changes that will affect pension plans.

The good news is that pension contributions will continue to be available to members through salary sacrifice.

The Government has proposed to reduce the Money Purchase Annual Allowance (MPAA) from £10,000 to £4,000 per annum from April 2017. In broad terms, the MPAA applies to members over age 55 who have flexibly accessed Defined Contribution savings since April 2015 (see *RBS*elect** for more details).

A consultation is currently underway and we will provide you with an update once the Government has confirmed

the way this change will work including how it will apply for members who have triggered the MPAA before April 2017.

No other significant changes to the current tax relief on pension contributions were announced.

You'll find more information about the Government's current pension tax allowances by visiting: www.gov.uk/tax-on-your-private-pension/lifetime-allowance and www.gov.uk/tax-on-your-private-pension/annual-allowance

Changes to State Pensions

State Pensions have changed. To find out more visit www.gov.uk/state-pension to see how these changes may affect your retirement savings.

Contact us

Current employees can raise a query through Contact HR on any HR page in Insite or they can visit or call:



www.rbspeople.com/rbselectonline



0808 100 4242

Former employees can email:
rbspensionplans@rbs.co.uk



Alternatively members can write to:

Pension Services
HR People Services
City Link House
4 Addiscombe Road
Croydon CR9 5PB



Alternative formats

This communication is available in large print, Braille or audio on request from Pension Services.

Privacy & Data Protection

In the course of administering the Plan, the Trustees (the Data Controller) and the bank will collect, store and process your personal information and that of your dependants. By joining the Plan you are consenting to the Trustees' use of personal information for 1) the administration and effective management of the Plan, 2) processing by third parties who receive information in order to facilitate the administration of the Plan e.g. insurance companies and 3) other forms of processing which the Trustees or the bank will carry out as part of their regulatory obligations under the management of the Plan. A full list of the third parties to whom information may be disclosed

is available from RBS Pension Services.

Some information which is collected and processed by the Trustees or the bank is considered 'sensitive personal information' under the Data Protection Act 1998 (e.g. health information). This information can only be shared with third parties where the Trustees have legal justification to do so. All information which is held will be classed as confidential by the Trustees and also by the bank. Should you have any questions about the collection, storage or processing of personal information under the Plan, please contact Pension Services.



Important information

The Plan is UK registered and governed by UK law so the benefits it can provide are those permitted by the Finance Act 2004 and other UK legislation. If you are an overseas member of the Plan, please note that you will need to consider the tax position of taking benefits from the Plan in your home jurisdiction. The tax treatment of any benefits taken from the Plan will always depend on your own personal circumstances. It is advisable to consult your relevant financial and/or tax adviser if you are in any doubt as to the extent to which you may be liable for any tax under the Plan.

The following information about how the Plan works and is managed are available on the RSP pages of www.rbspeople.com/rbselectonline. This can be accessed by those working with the bank and also Deferred members who have left the bank:

- Latest Annual Report and Accounts (shows the Plan's income and expenditure in the 12 months to 30 September 2015) which includes:
 - Current Payment Schedule (shows how much money is being paid into the Plan).
 - Trustee's Statement of Investment Principles (explains how the Trustee selects the investment funds offered to members including the Plan's Default Fund).

We have taken care to ensure that this Newsletter is correct. Your entitlement arises under the Plan's governing Trust Deed and Rules; if there are any differences between the information in this newsletter and the correct application of the Trust Deed and Rules, the latter will prevail. This Newsletter only provides an indicative summary of the options that will be available to members of the Plan and the tax position which may be relevant to your Plan savings. It is not a definitive statement of the law, or the tax position as it may apply to you and should not be interpreted as individual financial advice.