The RBS Group
Retirement Savings Plan

> New options and increased flexibility

A message from the Chairman

This update provides news about the new options and increased flexibility that will be available to members of the Royal Bank of Scotland Group Retirement Savings Plan (RSP).

You may have seen on TV, the Web, or read in the newspaper about the Government's wide-ranging changes to pensions. These changes were first announced in the March 2014 Budget and we included details about the proposals in our 2014 Newsletter.

More choice and flexibility when you take your RSP savings

At the moment, when you come to take your RSP savings, you can choose to take part (normally up to 25%) as a tax-free cash sum and at the same time buy a pension for life (also called an annuity) with the balance. We are currently updating our RSP systems and processes so that from later this year, when you decide that you want to take your RSP savings, you'll have new options. The key points to note are:

- You can still choose to take part of your RSP savings (normally up to 25%) as a tax-free cash sum.
- You can still use the balance of your RSP savings to buy a pension for life but you won't have to use your RSP savings in this way.
- You'll be able to take all of your RSP savings as a one-off cash sum (less income tax as explained below).
- If you want a flexible income that allows you to spread the amount and timing of withdrawals from your RSP savings, you can transfer your RSP savings to another scheme or an external pension provider (e.g. a personal pension).

The balance of your RSP savings, over the tax-free cash sum, will be subject to income tax when you take any further cash sum or income (including pension).

Please note that the RSP will not immediately provide the other flexibilities made possible by the Government changes that would allow you to spread the withdrawal of your RSP savings.

Planning to take your RSP savings?

The Government's changes will become available under UK law on 6 April 2015 but we don't have all the legal details yet. Once we do, the Trustee will provide an update on its plans to introduce new options for RSP members.

In the meantime, if you are planning to take your RSP savings in the coming months and would like more information about the new choices, please contact Pension Services using the HR Help box on any of the HR pages of Insite (current employees) or by emailing RBSpensionplans@RBS.co.uk.

Minimum age at which you can start taking your RSP savings

The minimum age set by UK law at which you can start taking your RSP savings is normally age 55 but you don't have to take your RSP savings at this age. You should note that this minimum age is expected to increase from age 55 to 57 by 2028. If you are still working for the bank and want to start drawing your RSP benefits before age 65, the bank's agreement is required - which it currently provides.

Look out for the launch update

The Trustee regularly reviews the investment options available in the RSP and we are designing a new investment option at the current time. In our 2015 Newsletter, we will provide you with full details about the launch of the new investment option and increased flexibility that will be available to members of the RSP.

Robert Waugh
Chairman, RBS Retirement Savings Trustee Limited

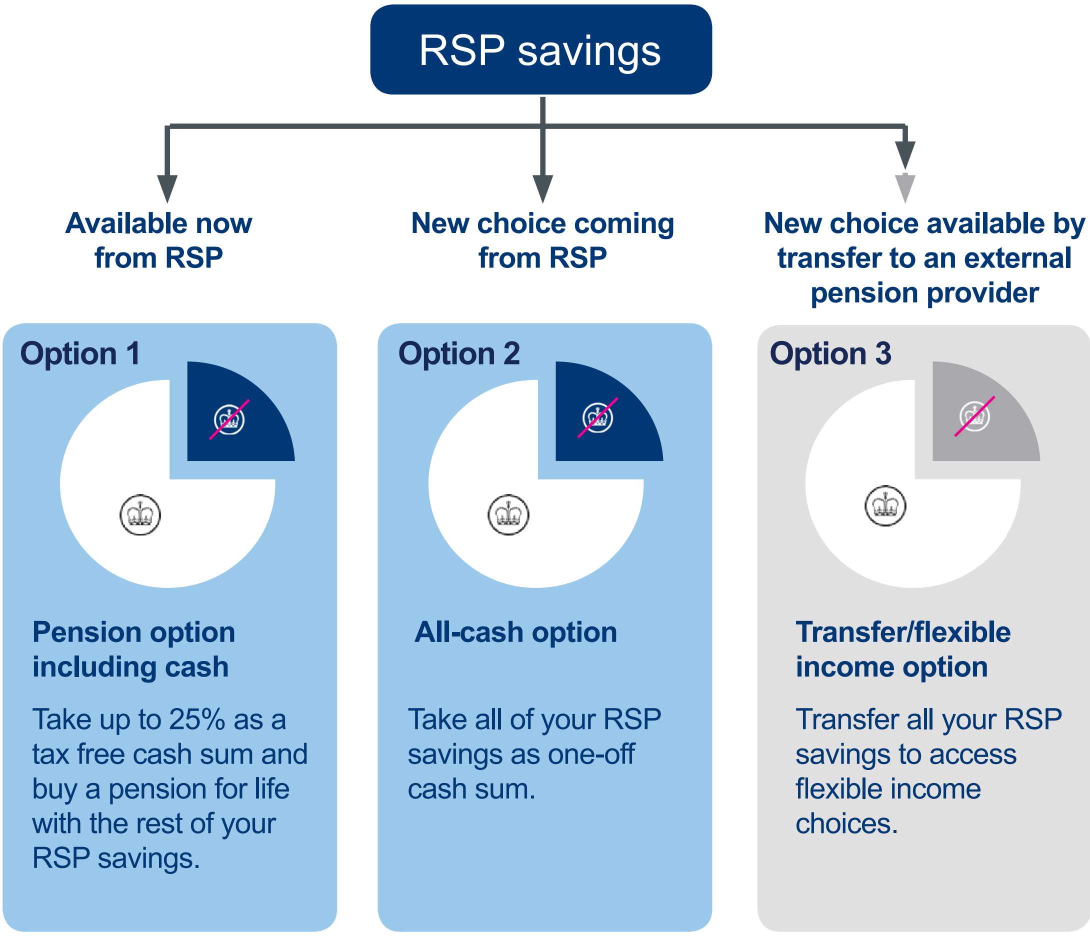
In this update:

Defined Contribution (DC) savings means savings in a pension plan where the build-up depends on the contributions paid in and the investment growth over time.

RSP savings means your savings in the RSP. This is a DC pension plan.

> New choices

You will soon have more choice about how to take your RSP savings. More details about these options are on pages 3 to 4.



Not taxed means that you can normally take up to 25% of your RSP savings as a tax-free cash sum (in all three options).

Subject to income tax means that once you take a tax-free cash sum, the balance of your RSP savings will be taxed like other earnings as you draw them (in all three options). The rate of income tax that will apply will depend on the amount of your other earnings in the applicable tax year.

Taking your RSP savings

Remember, you must take all of your RSP savings together. For example, if you decide to take your tax-free cash sum from your RSP savings, you must also decide how to use the balance of your RSP savings at the same time. It is not possible to leave the balance of your savings in the RSP until a later date.

If you are a bank employee, you can still pay contributions to the RSP, even if you decide to take your RSP savings from the minimum age set by UK law (which for most members is currently age 55). If you decide to do this, you can ask us to set up a new RSP savings account for you (but please note we reserve the right to remove this option in the future). You should note that this may mean there will be greater restrictions to the beneficial tax relief on any future contributions that the bank or you make, once you have taken your RSP savings. You'll find more detail about tax on pages 3 to 4.

If you are planning or making decisions about taking your RSP savings, you should consider taking professional financial and/or tax advice (you may find www.unbiased.co.uk a useful place to find an adviser); and you should consider accessing the Pension Wise service (see page 4).

More flexibility for death benefits

Also from April 2015, there will be greater potential to pass your RSP savings tax-free on death, to a wider group of beneficiaries. If you would like to understand how this might apply to your circumstances you should contact a professional financial and/or tax adviser (you may find www.unbiased.co.uk a useful place to find an adviser).

1 Pension option including cash

Take up to 25% as a tax-free cash sum and buy a pension for life with the rest of your RSP savings.

The details	The tax
If you want to receive a regular pension income, you can still use your RSP savings to buy a pension for life (also called an annuity). You can do this with all of your RSP savings, or choose to take up to 25% as a one-off cash sum and use the balance to buy the pension. The Trustee has appointed The Open Market Annuity Service (TOMAS) to help you to make choices about which pension to buy. TOMAS can provide information and illustrations for the different types of pension that are available to help you to decide the right one that meets your needs. For example, you can buy a pension that increases in line with inflation or one that pays a level amount each year. You can also buy a pension that will pay an income to your spouse or civil partner in the event of your death. As you approach your chosen retirement age, we will send you more information about your RSP savings and put you in touch with TOMAS.	Your one-off cash sum under this option will normally be tax-free. Your pension income will be taxed as earned income, at rates that take into account your other taxable income in the applicable tax year.

2 All-cash option

Take all your RSP savings as a one-off cash sum

The details	The tax
Once we have launched the new choices, you can choose to take all of your RSP savings as a one-off cash sum. (You should note that if you are a bank employee and you want to continue paying contributions to the RSP, currently you can ask us to set up a new RSP savings account for you.) If your RSP savings are £10,000 or less, this is called taking a "Small Lump Sum" payment. If your RSP savings are more than £10,000, this is called taking an "Uncrystallised Funds Pension Lump Sum" or an UFPLS. If you take an UFPLS you will have a special £10,000 p.a. tax relief restriction on any future contributions that the bank or you make to your new RSP savings account, or any DC contributions to any other pension arrangement. This tax relief restriction does not apply if you take a "Small Lump Sum" payment when any future contributions will continue to be subject to the standard annual allowance tax restriction (currently £40,000 p.a.). You will find more information on page 4. Taking a large one-off cash sum may affect your entitlement, if any, to means-tested State benefits.	If you take the all-cash option, up to 25% will be tax-free. The rest will be taxed as earned income in the applicable tax year. Warning: This could mean that some of your all-cash lump sum could be taxed at a higher rate of income tax than applies to your other earnings at that time. Please also note that the RSP will deduct income tax from the taxable part of the cash sum through the PAYE system. If your cash sum counts as taking either an UFPLS or a small lump sum, the RSP may be required to deduct income tax using a PAYE special tax code. In both cases you would have to arrange any tax adjustment due to you directly with HMRC. Please see the warnings on page 4.

3 Transfer/Flexible income option

Transfer all of your RSP savings to access flexible income choices

The details	The tax
Once we have launched the new choices, you can choose to transfer your RSP savings, either to another scheme or to an external pension provider (e.g. a personal pension) that allows you to take your DC savings in instalments or that offers flexible income options like a Flexi-Access Drawdown (FAD) Account. You need to consider both the rate at which you draw funds, and the tax that might apply so that you have sufficient income later in life.	If you want to spread the withdrawal of your DC savings following transfer to a pension provider, you can still normally arrange to take 25% as a tax-free cash sum. An option is to designate the remaining 75% as a FAD, future income would then be withdrawn as and when required, but would be taxed as earned income when drawn. Please see the warnings below.

> Warnings

Possible restrictions to the beneficial tax relief on any future DC contributions - applies to options 2 and 3

There is a limit on total DC pension contributions and build-up of defined benefit pension benefits (the Annual Allowance) beyond which a special tax charge can be triggered. The Annual Allowance for all pension savings is currently £40,000 p.a. and where this (together with unused Annual Allowance from some past years) is exceeded, an Annual Allowance tax charge applies.

If you choose to take the all-cash option and your RSP savings are worth more than £10,000 (or if you receive flexible income from another scheme having exercised option 3), your future opportunity to make, or have further DC pension savings made for you, into any scheme without triggering the Annual Allowance tax charge will reduce. Your Annual Allowance will remain at its current level of £40,000 p.a. but only £10,000 p.a. of that amount may be used for future DC contributions. However, if your RSP savings are worth £10,000 or less, and you take the all-cash option, then this £10,000 p.a. restriction will not apply to you.

Loss of "2006 protections" – applies to options 2 and 3 for some legacy ABN members

Changes were made to the taxation of pensions on 6 April 2006. Important transitional arrangements (called "2006 protections") were put in place by the Government which included protection for specific benefits built up by some RSP members before 6 April 2006. These 2006 protections are likely to be lost if a member chooses the all-cash option or transfers their RSP savings to another scheme or to an external pension provider (e.g. a personal pension).

> Help and information

Professional advice

Remember that no-one involved in running the RSP can give you individual financial advice. You should also note that it is your responsibility to account for any tax due in your self-assessment tax return. If you are planning or making decisions about your RSP savings, you should therefore consider taking professional financial and/or tax advice (you may find www.unbiased.co.uk a useful place to find an adviser).

Help and guidance when taking your RSP savings

The Government wants everyone to understand the new choices and flexibility for DC savings that will be introduced by new laws on 6 April 2015. It has set up a guidance service called Pension Wise, which will provide free and impartial guidance to anyone choosing how to access their DC savings. You can find out more about Pension Wise at: www.pensionwise.gov.uk.

Plan information

There is more detailed RSP information available at www.rbspeople.com/rbselect and www.rbspensions.co.uk. You can also contact Pension Services using the HR Help box on any of the HR pages of Insite (current employees), by emailing RBSpensionplans@RBS.co.uk or by writing to Pension Services, HR People Services, The Royal Bank of Scotland, City Link House, 4 Addiscombe Road, Croydon CR9 1YB.

Important note

This update only provides an indicative summary of the new options and increased flexibility that will be available to members of the RSP and the tax position which may be relevant to your RSP 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. Nothing in this update confers any entitlement additional to that conferred by the rules of the RSP. The Trustee and bank intend to keep the increased flexibility under review and reserve the right to make changes to the options that will be available to members of the RSP in the future.