

Sir Fred Goodwin

Lord Myners

26 February 2009 HM Treasury

Dear Lord Myners,

You telephoned me yesterday and asked me to consider voluntarily taking a material reduction in my pension entitlement as a 'gesture' to acknowledge the level of Government support being made available to RBS. You highlighted that the absence of such a gesture would give rise to significant adverse media comment.

I outlined to you my view of the matter, but as I had not been expecting your call, and as you expressly requested me to do so, I undertook to reflect on the matter again. You emphasised that I would need to provide you with an answer ahead of the publication of the Group's annual report and financial statements sometime next week.

It came therefore as something of a surprise to find that both details of forthcoming 2008 financial statement disclosures relating to my pension and the substance of our telephone conversation had been placed in the public domain a few hours after we spoke.

In the circumstances, I feel that an earlier response to your request is necessary, and the purpose of this letter is to provide that.

Whilst my pension is the current focus of attention, there were a number of other aspects of my departure from RBS which need to be considered at the same time, particularly in the context of 'gestures' and appropriate behaviour.

My contract of employment provided for a 12 month notice period, which I voluntarily waived in October of last year. This amounted to a loss of 1 years' salary, and I discussed this with you at the time, when you indicated that it was both an appropriate and sufficient recognition of the circumstances.



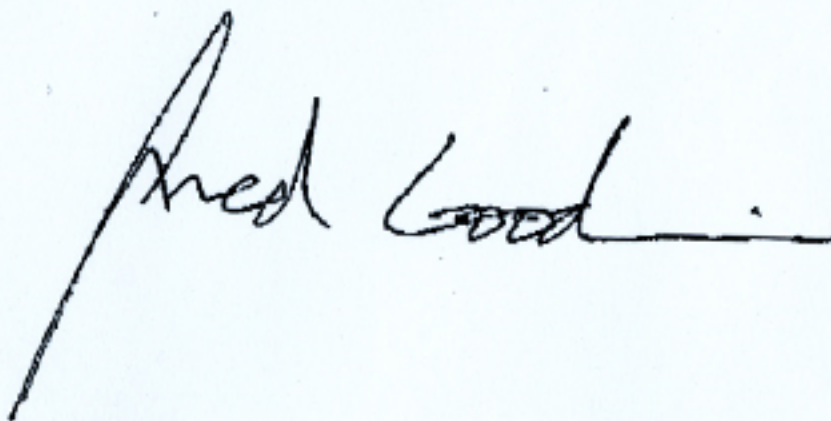
Subsequent to this, you approached the Chairman of the Group remuneration committee to suggest that I should waive certain share related awards which would otherwise have vested upon my leaving the Group. Whilst difficult to value with precision, these had a value equivalent to about 3 months' salary at that time. During these discussions, I am told that the topic of my pension was specifically raised with you by both the Chairman of the Group remuneration committee, and the Group Chairman, and you indicated that you were aware of my entitlement, and that no further 'gestures' would be required. On this basis, I agreed to waive my entitlement to the share related awards, and proceeded to subscribe for my full allocation of shares in the ensuing share issue.

Like you, I believed that these gestures were appropriate in the circumstances, and sufficient, and revisiting the position today, I believe that they remain so. I accept responsibility for that which I was responsible for, and recognise that my actions must be consistent with this. I believe that they have been, and to voluntarily accept a reduction in a pension entitlement which has been built up over many years and in other employments in addition to RBS, is not warranted. It is important to recognise that my pension arrangements have not fundamentally altered since I joined the Group in 1998. Whilst the quantum of the 'pension pot' figure has increased, this is principally as a result of the assumption used last year about retiring at age 60 no longer being appropriate. The amount which I am due to receive as a pension continues to be calculated in a manner consistent with prior years.

Whilst I suspect that you will not now agree with it, I hope that you can understand my rationale for declining your request to voluntarily reduce my pension entitlement.

In conclusion, since our private conversation yesterday is now in the public domain, I have no objection to the complete content of this letter being made public.

Yours Sincerely

A handwritten signature in black ink, appearing to read "Fred Good". The signature is written in a cursive, flowing style. The first name "Fred" is written with a large, sweeping initial 'F' that extends downwards and to the left. The last name "Good" is written in a more compact, cursive script. The signature is positioned at the bottom of the page, below the typed name "Yours Sincerely".