

UK Financial Investments Ltd

100 Parliament Street, London, SW1A 2BQ

James Leigh-Pemberton
Executive Chairman

www.ukfi.co.uk

Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

3rd August 2015

Dear Chancellor,

Following your announcement at Mansion House in June that the government would begin to sell its stake in The Royal Bank of Scotland Group plc in the coming months, we have continued to assess the options for an initial disposal of shares.

Our view, based on the outcome of this work and in conjunction with our advisors, is that an offer should be made to institutional investors, that we consider the current share price to be fair value and that institutional investor sentiment and risk appetite remain conducive to participating in a first share placing of RBS.

On that basis, we judge that now is a good time for a first sale in RBS on behalf of taxpayers.

We believe that this transaction should be launched via an accelerated bookbuild to institutional investors with a size of c. £2 billion.

Given the feedback from the bookrunners, and assuming no substantive market events during bookbuilding, on behalf of the UKFI Board I confirm that we are confident an accelerated bookbuild would achieve a price which would represent value for money.

On behalf of the Board

James Leigh-Pemberton

James Leigh-Pemberton
UK Financial Investments Ltd