

## UK Financial Investments Ltd

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**James Leigh-Pemberton**  
Executive Chairman

[www.ukfi.co.uk](http://www.ukfi.co.uk)

Rt Hon George Osborne MP  
Chancellor of the Exchequer  
HM Treasury  
1 Horse Guards Road  
London SW1A 2HQ

8<sup>th</sup> July 2015

*Dear Chancellor,*

Following the advice from the Governor of the Bank of England and Rothschild that it is in the taxpayer's interest to begin a phased return of RBS to the private sector, you have asked us whether it is feasible: (i) to raise at least £2bn through the sale of RBS shares in fiscal year 2015/16; and (ii) to dispose of at least three-quarters of the Government's stake in RBS during this Parliament.

RBS continues to make good progress in becoming a stronger, more stable bank with a simpler business model focused on the UK. I believe that this progress means that, although there are well known near term uncertainties, it will be possible to raise at least £2 billion of proceeds in the current fiscal year while delivering value for money for taxpayers, subject to market conditions and flexibility on timing of disposal.

In the medium term, we expect the process of restructuring and simplification set out by the management team in February of this year to continue through to 2019. We therefore expect that the RBS investment case will continue to evolve, which will create further opportunities to make disposals which deliver value for money for taxpayers in the coming years.

In view of this and our experience to date with the disposals of shares in Lloyds, which have realised proceeds of just less than £13 billion in under two years as the investment case has developed, I believe that realising a total of at least £25 billion from the sale of RBS shares – representing over three-quarters of the Government's stake in RBS at the current market price – is feasible in the period to May 2020 while delivering value for money for the taxpayer, provided market conditions

are supportive, we have sufficient flexibility on the timing and use of the full range of methods of disposal, and that RBS executes its strategic plan in line with expectations.

UKFI will continue to keep market conditions under review and assess options for future sales over the coming months.

*yours sincerely,*

*James*

James Leigh-Pemberton  
Executive Chairman