

Directors' remuneration report continued

Directors' pension arrangements

During the year, Johnny Cameron, Sir Fred Goodwin and Gordon Pell accrued pensionable service in The Royal Bank of Scotland Group Pension Fund ("the RBS Fund"). The RBS Fund is a defined benefit fund registered with HM Revenue & Customs under the Finance Act 2004.

Sir Fred Goodwin and Gordon Pell are provided with additional pension benefits on a defined benefit basis outwith the RBS Fund. The figures shown below include the accrual in respect of these arrangements. A funded, non-registered, arrangement has been set up to provide Sir Fred Goodwin's benefits to the extent they are not provided by the RBS Fund.

Johnny Cameron's benefits are based on salary limited to the pensions earning cap and he receives a cash allowance in place of pension on salary above this cap.

Mark Fisher opted to cease future accrual of pension benefit within the RBS Fund with effect from 6 April 2006. The increase in pension shown in the table arises from his increase in pensionable salary over the year. He is provided with a cash allowance in place of further pension benefits.

Guy Whittaker is provided with a cash allowance in place of pension benefits.

The cash allowances for Johnny Cameron, Mark Fisher and Guy Whittaker are shown on page 110.

Larry Fish accrues pension benefits under a number of arrangements in the US. Defined benefits are built up under the Citizens' Qualified Plan, Excess Plan and Supplemental Executive Retirement Arrangement. In addition, he is a member of two defined contribution arrangements: a Qualified 401(k) Plan and an Excess 401(k) Plan. He will continue to accrue benefits under these plans until 30 April 2008.

Of the total transfer value shown as at 31 December 2007, 54% relates to benefits in funded pension schemes.

Disclosure of these benefits has been made in accordance with the United Kingdom Listing Authority Listing Rules and with the Directors' Remuneration Report Regulations 2002.

	Age at 31 December 2007	Accrued entitlement at 31 December 2007 £000 p.a.	Additional pension earned during the year ended 31 December 2007 £000 p.a.	Additional pension earned during the year ended 31 December 2007* £000 p.a.	Transfer value as at 31 December 2007 £000	Transfer value as at 31 December 2006 £000	Increase in transfer value during year ended 31 December 2007 £000	Transfer value for the additional pension earned during the year ended 31 December 2007* £000
Defined benefit arrangements								
Sir Fred Goodwin	49	579	69	50	8,370	7,043	1,327	722
Mr Cameron	53	57	6	3	931	824	107	56
Mr Fish	63	\$2,080	\$251	\$251	\$24,101	\$17,800	\$6,301	\$2,915
Mr Fisher	47	337	35	24	4,562	3,904	658	323
Mr Pell	57	423	62	49	8,403	6,744	1,659	971

* net of statutory revaluation applying to deferred pensions

Notes:

- (1) There is a significant difference in the form of disclosure required by the Combined Code and the Directors' Remuneration Report Regulations 2002. The former requires the disclosure of the additional pension earned during the year and the transfer value equivalent to this pension based on stock market conditions at the end of the year. The latter requires the disclosure of the difference between the transfer value at the start and end of the year and is therefore dependent on the change in stock market conditions over the course of the year. The above disclosure has been made in accordance with the Combined Code and the Directors' Remuneration Report Regulations 2002.
- (2) The transfer values disclosed above do not represent a sum paid or payable to the individual director. Instead they represent a potential liability of the Group pension scheme.
- (3) No allowance is made in these transfer values for any enhanced benefits that may become payable on early retirement.
- (4) The proportion of benefits represented by funded pension schemes for Gordon Pell and Larry Fish is 53% and 2% respectively. All benefits for Johnny Cameron, Mark Fisher and Sir Fred Goodwin are in funded pension schemes.
- (5) In accordance with US market practice, Larry Fish's pensionable remuneration is limited to US\$4 million per annum.
- (6) Larry Fish's executive director service contract effective from February 2004 provides that he may retire at any age between 60 and 65. As noted on page 107, he will cease pension accrual with effect from 1 May 2008 and draw his pension from that date. The valuation of his benefits in the table above as at the end of 2007 allow for this payment date; previous figures assumed retirement at age 65.

Contributions and allowances paid in the year ended 31 December 2007 under defined contribution arrangements were:

	2007 000	2006 000
Mr Cameron	—	£46
Mr Fish	\$60	\$56

Bob Scott
Chairman of the Remuneration Committee
27 February 2008