



**RBOS Shareholders Action Group**  
PO Box 62  
Chislehurst  
BR7 5YB  
Phone: 020-8467-2686  
Email: [info@rbosaction.org](mailto:info@rbosaction.org)  
Web: [www.rbosaction.org](http://www.rbosaction.org)

26 June 2009

## Update No. 6

### Sir Fred Goodwin's Pension

We issued the following press release on the 19<sup>th</sup> June on the agreement with Sir Fred Goodwin to reduce his pension to £350,000 per year (about half what had previously been agreed with him): [www.rbosaction.org/RBOS\\_Press002\\_Goodwin\\_Pension.pdf](http://www.rbosaction.org/RBOS_Press002_Goodwin_Pension.pdf) (simply click on the link to read this pdf document).

### Stephen Hester's Pay

Considerable controversy has been aroused by the news of the pay deal for new chief executive Stephen Hester. He could earn as much as £9.6 million over several years if performance targets are reached, although some commentators pointed out that this is similar to the levels paid to other chief executives of major banks. His base salary is about £1.2 million per year, so the rest is made up of various incentive schemes, including an "LTIP" which kicks in if the share price gets above 70p after 3 years. UKFI, who hold the Government's 70% stake, have agreed this package so it's a done deal. Note that Mr Hester already had 10 million free shares which were granted to him when he joined the company, so his interests were already quite well aligned with those of shareholders.

There are two key questions here: 1) Is the absolute level reasonable; and 2) is the structure sensible? Clearly the Government has given up any hope of resetting the pay of senior executives in banks to a lower level and both here and in Lloyds Bank they are paying the "going rate". They have also put in place a structure which is highly bonus orientated and which was heavily criticised by the Treasury Committee for encouraging short term, risky behaviour. In essence it's back to the bad old days of bank executive pay after lots of criticism of such arrangements that arose during the banking crisis.

The simple hurdle of achieving a 70p share price (however much shareholders might like to see it), is also one of the poorest methods imaginable of incentivising senior executives. Any recovery in the share price is likely to be largely the result of a general recovery in the banking sector and this undemanding target should not have been used. It is also likely to result in behavioural aberrations of other kinds – such as manipulation of the share price unconsciously or otherwise.

But one point is worth noting. If this target is being set to "stretch" Mr Hester, then it must presumably be the best expectation by the company's board and the Government of the share price in three year's time. Shareholders are reminded that you subscribed for shares at 200p only a year ago, so it is clear that there is going to be no quick recovery and if you are still holding those shares there is no short term prospect of recouping your investment. The figure of 70p is only about 20% of the share price of RBS when you subscribed for the rights issue and 10% of what it was two years ago.

Incidentally I personally did several TV and radio interviews on the above subjects which seemed to get an enormous amount of media attention, when the plight of shareholders seems to receive little comment.

### **Common Questions**

On the responses we have been getting to our mailing to shareholders there are a number of common questions. The answers to these are as follows:

A – Does it matter that I have subsequently sold my RBS shares, or some of them? No you would still have an interest in regards to any legal action associated with the rights issue.

B – Does it matter that my shares (or some of them) were held in a nominee account? No as the beneficial owner of the shares your claim would not be prejudiced.

C – Will shareholders who do not register their interest in our group still benefit if a legal case is pursued and won? Not necessarily because these matters often result in a “settlement” with the claimants and only those people who have registered their interest would benefit from the settlement.

D – I did not subscribe for the rights issue. Are you doing anything to recover losses on other RBS shares that I held? We will look at the other issues associated with this company at a later date but our short term priority is the rights issue and disclosures that will result from any action on that matter may provide the necessary further information required.

E – Are you connected in any way with other groups that have formed to pursue legal actions against RBS? No we are not. We have had some discussions with other groups but we are not likely to merge our interests with them in the short term although we may be willing to co-operate on any legal actions. We recognise that duplication of effort is never a good thing but there are significant differences between our group and others in terms of who is controlling the group and the arrangements they have with legal advisors. Our group has a democratic structure and is controlled by the affected shareholders who support the group financially.

F – Are you running campaigns on other banks that have suffered from Government “recapitalisation” of the banking sector or nationalisation. Not at present although our constitution would permit us to do so, but the UK Shareholders Association (UKSA – see [www.uksa.org.uk](http://www.uksa.org.uk)) has several campaigns running which includes campaigns to support shareholders in Lloyds Banking Group, Bradford & Bingley and Northern Rock.

G – If I have other questions can I contact you? Many people write in questions on the response forms they send us, often including lengthy comments which invite a response. It is unfortunately not possible for us to respond in writing to these missives or other letters of a general nature because we have limited resources and it would cost us too much to do so (there are over 100,000 shareholders who subscribed for the rights issue and we are keen to control the costs of this campaign). However if you have any questions we will try and answer them verbally – please call Vicky Cappin on 020-7286-4161 for assistance. But please review the material on our web site first.

H – Can I help in other ways to support this group? We would be glad to hear from anyone who is willing to assist in organising meetings for shareholders and otherwise promoting our activities. Please contact me via email to the address below if you wish to assist.

### **Registration Reminder**

If you have not registered your interest in the proposed legal action you are reminded that you need to do so as soon as possible. Please use the form you can obtain from this page of our web site: [www.rbosaction.org/Membership.htm](http://www.rbosaction.org/Membership.htm) . Our recruitment of members to support this legal action is going well and we are currently putting together the legal team required to progress the matter.

Roger Lawson, RBOS Shareholders Action Group

Telephone: 020-8467-2686

Email: [roger.lawson@btclick.com](mailto:roger.lawson@btclick.com)

*Note that all "Update" reports are posted on the News section of our web site ( [www.rbosaction.org](http://www.rbosaction.org) ) as soon as they are issued.*