

**RBS Capital Trust B**  
(a Delaware statutory trust)



US\$750,000,000  
**6.80% Non-Cumulative Trust Preferred Securities**  
(Liquidation Preference \$1,000 per Trust Preferred Security)

having the benefit of a subordinated guarantee of

**The Royal Bank of Scotland Group plc**

Each trust preferred security, having a liquidation preference of \$1,000, represents an undivided beneficial interest in the assets of RBS Capital Trust B, which assets will consist of partnership preferred securities representing non-cumulative, perpetual preferred limited partnership interests issued by RBS Capital LP B, a Delaware limited partnership.

Distributions will be payable from the issue date quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, beginning March 31, 2003. The distribution rate will be fixed from the issue date at a rate of 6.80% per annum of the liquidation preference.

The trust preferred securities are perpetual securities that have no fixed maturity or redemption date. At our option, we may redeem the trust preferred securities in whole or in part on March 31, 2008 or on any distribution payment date thereafter. At our option, we may redeem the trust preferred securities in whole, but not in part, upon the occurrence of certain tax and regulatory events described in this Offering Circular under “Description of Trust Preferred Securities” and “Description of Partnership Preferred Securities.”

Application has been made to list the trust preferred securities on the Luxembourg Stock Exchange.

**See “Investment Considerations” beginning on page 24 to read about specific investment considerations you should consider before buying the trust preferred securities.**

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Offering Price: \$1,000

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**Neither the trust preferred securities nor the partnership preferred securities are deposits or other obligations of The Royal Bank of Scotland Group plc. None of the trust preferred securities, the partnership preferred securities or the subordinated guarantees are insured by any governmental agency.**

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**Neither the trust preferred securities nor the subordinated guarantees have been or will be registered under the US Securities Act of 1933, as amended (the “Securities Act”), or under any state securities laws and may not be offered, sold or delivered in the United States, or to or for the account or benefit of US persons (as defined in Regulation S under the Securities Act) unless registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. The trust preferred securities are being offered and sold only to certain persons in transactions outside the United States in compliance with Regulation S under the Securities Act.**

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The managers expect to deliver the trust preferred securities in book-entry form through the facilities of Euroclear and Clearstream, Luxembourg against payment therefor in immediately available funds on December 5, 2002.

*Joint Bookrunners*

**Merrill Lynch International**  
(Structuring Adviser)

**Goldman Sachs International**

**The Royal Bank of Scotland**

**UBS Warburg**

The date of this Offering Circular is November 26, 2002.

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**You should rely only on the information contained or incorporated by reference in this Offering Circular. We have not, and the managers have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the managers are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this Offering Circular is accurate as of the date on the front cover of this Offering Circular only. Our business, financial condition, results of operations and prospects may have changed since that date.**

“We” and “us” refer to The Royal Bank of Scotland Group plc, the term “Group” means The Royal Bank of Scotland Group plc and its subsidiaries, “RBS plc” means The Royal Bank of Scotland plc, “RBS” means RBS plc and its subsidiaries, “NWB Plc” means National Westminster Bank Plc, “NatWest” means NWB Plc and its subsidiaries, the “trust” means RBS Capital Trust B and the “partnership” means RBS Capital LP B.

In connection with this issue, Merrill Lynch International (the “Stabilizing Manager”) or any person acting for the Stabilizing Manager may over-allot or effect transactions which stabilize or maintain the market price of the trust preferred securities at a level which might not otherwise prevail for a limited period. However, there is no obligation on the Stabilizing Manager or any agent of the Stabilizing Manager to do this. Such stabilizing, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilizing shall be in compliance with all applicable laws, regulations and rules.

The trust preferred securities will be evidenced by one or more global certificates (each a “global certificate”), in fully registered form, deposited with a common depositary (the “common depositary”), and registered in the name of a nominee, for Euroclear Bank SA/NV (“Euroclear”), and Clearstream Banking, société anonyme, (“Clearstream, Luxembourg”) on the issue date, as described in this Offering Circular. For additional information on clearance and settlement, see “Description of Trust Preferred Securities—Book-entry, Delivery and Form.”

This Offering Circular does not constitute an offer to sell, or a solicitation of an offer to buy, any of the trust preferred securities offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such an offering or solicitation. The offer or sale of the trust preferred securities may be restricted by law in certain jurisdictions, and you should inform yourself about, and observe, any such restrictions.

Each of RBS Capital Trust B and The Royal Bank of Scotland Group plc, having made all reasonable enquiries, confirms that the information contained in this Offering Circular is true and accurate in all material respects and is not misleading in any material respect, and that there are no other facts the omission of which

would make any of such information misleading in any material respect. Each of RBS Capital Trust B and The Royal Bank of Scotland Group plc accepts responsibility accordingly.

The trust preferred securities and the subordinated guarantees offered hereby are being offered only outside the United States in accordance with Regulation S under the Securities Act. Terms used in this section that are defined in Regulation S under the Securities Act are used herein as defined therein. The trust preferred securities and the subordinated guarantees have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction within the United States and, accordingly, may not be offered, sold or delivered within the United States or to or for the account or benefit of US persons (as defined in Regulation S under the Securities Act) unless registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available.

In addition, until 40 days after the closing of the Offering, any offer or sale of the trust preferred securities that is made within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act.

## NOTICE TO INVESTORS

Investors in the trust preferred securities will be deemed to have represented that they do not own, directly or indirectly, 10% or more of the ordinary shares of The Royal Bank of Scotland Group plc. If at any time a holder of trust preferred securities or partnership preferred securities owns 10% or more of the ordinary shares of The Royal Bank of Scotland Group plc, we will have the right to repurchase, or cause a repurchase of, such investor's trust preferred securities or partnership preferred securities, as applicable.

Each investor in the trust preferred securities offered hereby will be deemed to have represented and agreed that such investor understands that the trust preferred securities have not been registered under the Securities Act and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, any US person, unless the trust preferred securities are registered under the Securities Act or an exemption from the registration requirements thereof is available. Each manager has agreed that, except as permitted by the underwriting agreement, it will not offer, sell or deliver the trust preferred securities, (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the Offering and the closing date, within the United States or to US persons, and it will have sent to each dealer to which it sells the trust preferred securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the trust preferred securities within the United States or to, or for the account or benefit of, US persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

This Offering Circular contains or incorporates by reference statements that are "forward-looking statements." These statements can be identified by the use of forward-looking language such as "is anticipated," "will likely result," "may," "are expected to," "estimate," "projected," "intends to," or other similar words. These statements are subject to certain risks and uncertainties, including but not limited to certain risks described in this Offering Circular. When considering those forward-looking statements, potential purchasers should keep in mind these risks, uncertainties and other cautionary statements made in this Offering Circular. Potential purchasers should not place any undue reliance on any forward-looking statement, which speaks only as of the date made.

### **Incorporation by Reference**

We incorporate by reference, and include in, this Offering Circular the following two documents:

- our annual report on Form 20-F for the year ended December 31, 2001, as filed with the US Securities and Exchange Commission (the "SEC") on April 12, 2002; and
- our interim results report on Form 6-K for the six months ended June 30, 2002, as filed with the SEC on August 7, 2002.

Copies of both documents may be inspected and obtained free of charge at the specified office of the paying agent and the paying and transfer agent in Luxembourg.

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References herein to "£" and "pounds sterling" refer to the lawful currency of the United Kingdom, references to "\$" and "dollars" refer to the lawful currency of the United States and references to "€" and "euro" are to the single currency introduced at the start of the third stage of the economic and monetary union on January 1, 1999.

## THE OFFERING

The Offering . . . . . 6.80% non-cumulative, perpetual preferred securities, liquidation preference \$1,000 per security, will be issued by the trust. The trust preferred securities represent a corresponding amount of non-cumulative, perpetual preferred securities issued by the partnership and held by the trust. Each partnership preferred security has a liquidation preference of \$1,000. The assets of the partnership will initially consist of subordinated notes issued by us.

We will guarantee, on a subordinated basis, distributions and amounts payable on redemption and liquidation to the extent described below under “—Subordinated Guarantees.”

*An investment in the trust preferred securities is intended to provide holders with rights to distributions and liquidation preference as nearly as possible equivalent to those to which they would have been entitled if they had purchased non-cumulative preference shares issued directly by us with economic terms equivalent to the trust preferred securities and the subordinated guarantees, taken together.*

Liquidation Preference. . . . . \$1,000 per trust preferred security.

Distribution Payment Dates . . . . . Distributions will be payable from the issue date quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, beginning March 31, 2003. If any distribution payment date falls on a day that is not a day on which banks in London and New York are open for business (a “business day”), then such distribution payment date will be the immediately preceding business day.

Distributions on the trust preferred securities will be made to the extent the partnership makes corresponding distributions on the same dates on the partnership preferred securities. Amounts available to the trust for distribution will be limited to payments received by way of distributions on the partnership preferred securities and payments by us under the applicable subordinated guarantee. Distributions on the partnership preferred securities will be due and payable on each distribution payment date unless and to the extent that the partnership has received a “no distribution instruction” or a “partial distribution instruction” from us with respect to a specific distribution payment on the partnership preferred securities or we have not made payment on our non-cumulative preference shares as described under “—Limitations on Distributions.”

Amounts not paid on the partnership preferred securities and trust preferred securities as a result of such instructions or non-payment are not “due” or “payable” in accordance with the terms of the partnership preferred securities and trust preferred securities.

Distribution Rate . . . . . The distribution rate on the partnership preferred securities will be fixed from the issue date at a rate of 6.80%.

Limitations on Distributions. . . . . The partnership will not make payment of any distributions on the partnership preferred securities (and corresponding payments will not be made on the trust preferred securities)

on any distribution payment date if it has received (a copy of which shall be provided to the property trustee of the trust) a “no distribution instruction” from us.

The partnership will make a partial distribution on the partnership preferred securities (and corresponding partial payments will be made on the trust preferred securities) on any distribution payment date if it has received (a copy of which shall be provided to the property trustee) a “partial distribution instruction” from us.

A “no distribution instruction” or a “partial distribution instruction” may only be given in the circumstances set out below:

- a “no distribution instruction” will be given if, in the opinion of our board of directors or a committee thereof, the payment of the distribution on that distribution payment date would (or would if the partnership preferred securities were a class of our non-cumulative preference shares) breach or cause a breach of the capital adequacy requirements of the UK Financial Services Authority applicable to us and/or any of our subsidiaries; or
- if, in the opinion of our board of directors or a committee thereof, our distributable profits, prior to the payment of interest on the subordinated notes (or any other eligible investments held at such time by the partnership) and after the payment in full, or the setting aside of a sum to provide for the payment in full, of all dividends stated to be payable on that distribution payment date on any of our cumulative preference shares (and any arrears of dividends thereon), would not (or would not if the partnership preferred securities were a class of our non-cumulative preference shares) be sufficient to enable us to pay (or set aside for future payment) in full all dividends or other distributions on that date:

- on the partnership preferred securities; and
- on our non-cumulative preference shares or on any other shares and securities issued by us (or by any of our subsidiaries with a guarantee by us ranking equally as to payments with our non-cumulative preference shares) stated to be payable on the same date as the distributions on the partnership preferred securities and ranking or expressed to rank equally as to payments with our non-cumulative preference shares,

then, subject to the first bullet point above, a “partial distribution instruction” shall be given and the partnership will make a partial distribution on the partnership preferred securities to the extent of available distributable profits with the intent that the amount of distributions, dividends or other payments made on each partnership preferred security and on each such equally ranking share or other security on such

date will in all cases bear to each other the same ratio as the distributions, dividends or other payments accrued on each such class of share or security bear to each other; *provided* that, if in the opinion of our board of directors or a committee thereof, there are no distributable profits, a “no distribution instruction” shall be given.

In addition, if we have not declared and paid in full, or have not set aside an amount to provide for the payment in full of, the payment stated to be payable on the most recent distribution payment date on any series of our non-cumulative preference shares which are then outstanding, then the partnership may not pay any distributions on the partnership preferred securities, and neither the partnership nor we may set aside any sum to pay such distributions, unless, on the distribution payment date, we set aside an amount equal to the payment on such series of non-cumulative preference shares for the then-current payment period to provide for the payment in full of such payment on the next applicable distribution payment date.

Distributions will not be cumulative and the holders of trust preferred securities and partnership preferred securities will have no claim for any distributions not paid, or for the portion of any distribution not paid, pursuant to the restrictions discussed above. Therefore, amounts not paid on the trust preferred securities or the partnership preferred securities as a result of a “no distribution instruction” or a “partial distribution instruction” or non-payment on our non-cumulative preference shares, as described above under “Limitation on Distributions”, are not “due” or “payable” in accordance with the terms of those securities.

Dividend Stopper . . . . . We will agree in the subordinated guarantees that if any distribution on the trust preferred securities or the partnership preferred securities has not been paid in full on the most recent distribution payment date (or a sum has not been set aside to provide for such payment in full), we may not declare or pay dividends (other than nominal special dividends) on any of our junior securities, unless and until distributions on the trust preferred securities and the partnership preferred securities have been paid in full (or a sum has been set aside to provide for their payment in full) in respect of the then-current distribution period.

Junior securities means –

- our ordinary shares,
- any other securities issued directly by us and which rank or are expressed to rank junior as to payments to our non-cumulative preference shares, and
- any securities issued by any subsidiary of ours that benefit from a guarantee or support agreement by us which ranks or is expressed to rank junior as to payments to our non-cumulative preference shares.

Capital Stopper. . . . . We will agree in the subordinated guarantees that if any distribution on the trust preferred securities or partnership

preferred securities for the most recent distribution period has not been paid in full on the most recent distribution payment date (or a sum has not been set aside to provide for such payment in full), we may not redeem, purchase or otherwise acquire for any consideration any parity securities or junior securities, and we may not set aside any sum or establish any sinking fund for the redemption, reduction, purchase or other acquisition thereof, unless and until such time as distributions on the trust preferred securities and the partnership preferred securities in respect of successive then-current distribution periods which singly or together aggregate 12 months shall have been paid in full (or a sum has been set aside to provide for their payment in full).

Parity securities means –

- our non-cumulative preference shares from time to time outstanding,
- any other securities issued directly by us and which rank or are expressed to rank equally as to payments with our non-cumulative preference shares, and
- any securities issued by any of our subsidiaries that benefit from a guarantee or support agreement by us which ranks or is expressed to rank equally as to payments with our non-cumulative preference shares.

#### Redemption of the Partnership

Preferred Securities. . . . . The partnership preferred securities are not redeemable at the option of the holders. The partnership preferred securities may be redeemed at the option of the partnership in the following circumstances, subject to the limitations on redemption described further below. Redemption proceeds received by the trust on the partnership preferred securities will be contemporaneously passed through to redeem a corresponding amount of trust preferred securities.

The partnership preferred securities may, with the written consent of the UK Financial Services Authority, be redeemed by the partnership, in whole or in part, on March 31, 2008 and on any distribution payment date thereafter.

The partnership, with the written consent of the UK Financial Services Authority, has the option to redeem the partnership preferred securities, in whole but not in part, at any time, if:

- as a result of a change in or amendment to the laws or regulations of any taxing jurisdiction of or in the United Kingdom or the United States, including any treaty to which the applicable jurisdiction is a party, or any change in an official application or interpretation of those laws or regulations, including a decision of any court or tribunal (a “tax law change”), which becomes effective on or after the date of the original issue of the trust preferred securities, in making any payments on the partnership preferred securities or on the subordinated guarantees, the partnership or we have paid or will or would on the next distribution payment date be required to pay additional amounts on such securities or guarantees;

- as a result of a tax law change on or after the date of issuance of any subordinated notes or eligible investments, in making any payments on the subordinated notes or other eligible investments, we or the issuer of such other eligible investments have paid or will or would on the next distribution payment date be required to pay additional amounts on such subordinated notes or other eligible investments;
- tax is imposed in the United States or the United Kingdom on the partnership;
- we are not able to deduct for UK tax purposes payments made on the subordinated notes (or we or any of our subsidiaries issuing the eligible investments are not able to deduct for tax purposes of the taxing jurisdiction relevant to such issuer payments made on such eligible investments), the value of the deduction would be materially reduced, or we otherwise suffer adverse tax consequences which we cannot reasonably avoid in connection with the subordinated notes or other eligible investments or in connection with the partnership preferred securities;
- we have been informed by the UK Financial Services Authority that the partnership preferred securities do not qualify as Tier 1 capital under applicable banking regulations; or
- as a result, after the issue date of the trust preferred securities, of (A) a change in law, judicial decision or change in rule, interpretation or practice set out in an official publication of the US Securities and Exchange Commission or (B) a change in the laws of the United Kingdom relating to the enforceability of the subordinated guarantees, the partnership or the trust is required to register as an “investment company” within the meaning of the US Investment Company Act of 1940.

On any such redemption event (each, a “partnership special redemption event”), the partnership may redeem the partnership preferred securities for cash in an amount equal to:

- their aggregate liquidation preference, plus
- an amount equal to accrued distributions, if any, for the then-current distribution period accrued on a daily basis to the redemption date, plus
- an amount equal to any distributions which were payable in accordance with the terms of the partnership preferred securities but improperly withheld, without interest.

For the avoidance of doubt, distributions will not be cumulative and the holders of partnership preferred securities will have no claim for any distributions (or the portion thereof) not payable as a result of a “no distribution instruction” or a “partial distribution instruction” or non-

payment on our non-cumulative preference shares as described under “—Limitations on Distributions.”

Any redemption of partnership preferred securities is subject to obtaining the prior written consent of the UK Financial Services Authority. In addition, the partnership will not redeem the partnership preferred securities unless (i) the redemption is ultimately funded out of our distributable profits or from the proceeds of a new issuance of our ordinary shares or other capital that qualifies under generally accepted accounting practices in the United Kingdom for treatment as minority interest or shareholders’ funds in our accounts; and (ii) we have declared and paid in full, or have set aside an amount to provide for the payment in full of, the dividend stated to be payable on any series of our non-cumulative preference shares which are then outstanding, in respect of successive then-current dividend periods which singly or together aggregate no less than 12 months.

Redemption of the Trust Preferred

Securities. . . . .

The trust preferred securities are not redeemable at the option of the holders.

The trust preferred securities are perpetual securities and have no maturity date. However, in the event that any partnership preferred securities are redeemed, an equal number of trust preferred securities will likewise be redeemed for an amount per trust preferred security equal to the redemption amount of the applicable partnership preferred securities. For so long as the trust preferred securities are listed on the Luxembourg Stock Exchange, notice of any such redemption will be provided to the Luxembourg Stock Exchange and, so long as the rules of that exchange so require, published in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*).

Subject to any special rights of any of our shares and the provisions of our articles of association and applicable law, and subject to the prior written consent of the UK Financial Services Authority, we or any of our subsidiaries may at any time and from time to time, purchase outstanding trust preferred securities by tender, in the open market or by private agreement.

Taxation and Additional Amounts. . . . .

If at any time we are, or the partnership or the trust is, required to deduct or withhold for taxes, duties or governmental charges imposed by the United Kingdom or the United States, we will, subject to certain exceptions, pay or procure the payment of additional amounts needed so that the net amounts received by the holders of the partnership preferred securities or the trust preferred securities or by the recipients of payments under the subordinated guarantees, after such deduction or withholding, will equal the amounts that would have been received had no such deduction or withholding been required. Any reference in this Offering Circular relating to the payment of distributions or any payments on, or in respect of, the partnership preferred securities, the trust preferred securities or any subordinated guarantees, includes the payment of additional amounts to the extent that, in the context, additional amounts are, were or

would be payable. Our obligation to pay or procure the payment of additional amounts will be subject to the limitations described under “Description of Subordinated Guarantees—Additional Amounts,” “Description of Trust Preferred Securities—Additional Amounts” and “Description of Partnership Preferred Securities—Additional Amounts.”

#### Liquidation or Dissolution of the Trust . . . .

We may cause the dissolution of the trust if any of the following events occurs:

- additional amounts are payable on the trust preferred securities;
- tax is imposed in the United States or the United Kingdom on the trust;
- after the issue date of the trust preferred securities, as a result of a change in law, judicial decision or change in rule, interpretation or practice set out in an official publication of the Securities and Exchange Commission, the trust or the partnership is required to register as an “investment company” within the meaning of the US Investment Company Act of 1940; or
- after the issue date of the trust preferred securities, as a result of a change in the laws of the United Kingdom relating to the enforceability of either of the subordinated guarantees, the trust or the partnership is required to register as an “investment company” within the meaning of the US Investment Company Act of 1940.

In any such event, the trust administrator may, after we satisfy any liabilities of the trust, distribute to the holders of the trust preferred securities partnership preferred securities having an equal liquidation preference and distribution payment rights. See “Description of Trust Preferred Securities—Liquidation or Dissolution—Liquidation Upon a Trust Liquidation Event.”

#### Substitution of Trust Preferred Securities for Non-Cumulative Dollar Preference Shares . . .

If any of the following events occurs:

- the partnership is liquidated, dissolved, wound up or terminated (where no order has been made or effective resolution passed for our winding up),
- the UK Financial Services Authority requires us to effect a substitution because the capital adequacy requirements of the UK Financial Services Authority then applicable to us and/or any of our subsidiaries are not or would not be met, or
- following the occurrence of a partnership special redemption event, we elect in our discretion to effect such substitution,

we will undertake pursuant to the subordinated guarantees to use reasonable efforts to implement the corporate steps necessary to (i) effect the substitution of the trust preferred securities for non-cumulative dollar preference shares which

we will issue and which will have equivalent liquidation preference and which will bear dividends at the distribution rate applicable to the partnership preferred securities and will have the rights and preferences described in this Offering Circular; (ii) obtain admission of the non-cumulative dollar preference shares to the Official List of the UK Listing Authority and to trading on the London Stock Exchange or a similar recognized exchange and (iii) file a Form 3 application in respect of the non-cumulative dollar preference shares with the Monetary Authority of Singapore. In such event, the trust and the partnership will be liquidated.

Subordinated Notes . . . . . The subordinated notes or other eligible investments will be held by the partnership. No holder of trust preferred securities, partnership preferred securities or non-cumulative dollar preference shares (which may be issued upon a substitution event) will be entitled to hold or enforce the subordinated notes or other eligible investments. Distributions on the partnership preferred securities will be funded out of amounts received on the subordinated notes or other eligible investments.

Priority Limited Partnership Interest . . . . . The priority limited partnership interest will have the same distribution payment dates as the partnership preferred securities and will entitle the priority limited partner to distributions on any distribution payment date in an amount equal to the funds available to the partnership (whether received as interest on the subordinated notes or otherwise) less distributions, if any, due and payable on that distribution payment date on the partnership preferred securities in accordance with their terms. The priority limited partnership interest will rank senior as to distributions to the partnership preferred securities in the event of a limitation on the payment of distributions on the partnership preferred securities. In the event of our winding up when a partnership liquidation distribution is to be paid, the priority limited partnership interest will have a prior claim to any partnership assets that, if distributed on the partnership preferred securities, would otherwise result in them receiving a greater distribution amount than our non-cumulative preference shares with the same liquidation preference.

Subordinated Guarantees . . . . . We will guarantee that:

- to the extent that distributions are due and payable on the partnership preferred securities or trust preferred securities, we will pay such distributions to the extent these amounts are not paid by the partnership or the trust, as the case may be;
- if partnership preferred securities or trust preferred securities are to be redeemed in accordance with their terms, we will pay amounts due upon redemption to the extent these amounts are not paid by the partnership or the trust, as the case may be;
- if holders of the partnership preferred securities or the trust preferred securities are entitled to any amounts due upon liquidation of the partnership or the trust, we will pay these amounts to the extent they are not paid by the partnership or the trust, as the case may be; and

- we will pay any additional amounts payable in accordance with the terms of the trust preferred securities and of the partnership preferred securities, as the case may be.

The rights under the subordinated guarantees will be subordinated to the rights and claims of all our creditors (including, without limitation, depositors, general creditors and subordinated debt holders) and the rights and claims of holders of our shares or securities which rank senior as to payments to our non-cumulative preference shares.

For the avoidance of doubt, amounts not paid on the trust preferred securities or the partnership preferred securities as a result of a “no distribution instruction” or a “partial distribution instruction” or as a result of our failure to make payment on our non-cumulative preference shares as described under “—Limitations on Distributions” are not “due” or “payable” in accordance with the terms of such securities. Distributions on the trust preferred securities and the partnership preferred securities will not be cumulative and the holders of such securities will have no claim for any distributions (or the portion thereof) not payable. Accordingly, any distributions (or the portion thereof) not payable in accordance with the terms of the trust preferred securities or the partnership preferred securities are not payable under the subordinated guarantees.

The trust preferred securities, the partnership preferred securities and the subordinated guarantees taken together will not entitle the holders to receive more than they would have been entitled to receive had they been the holders of our non-cumulative preference shares with the same liquidation preference.

Subject to the above limitations, payments under the subordinated guarantees will be made regardless of whether the partnership or the trust has legally available funds for the subordinated guaranteed payment.

Ranking of Partnership Preferred Securities . . . The partnership preferred securities will ordinarily rank senior to the general partnership interest and the priority limited partnership interest as to payment of distributions. If a “no distribution instruction” or a “partial distribution instruction” has been delivered, to the extent that distributions are not then payable on the partnership preferred securities, the excess amount, if any, of the interest received by the partnership on the subordinated notes or other eligible investments will be distributed to the priority limited partner as holder of the priority limited partnership interest.

Rights upon Liquidation of the Partnership . . . In the event of a liquidation, dissolution or winding up of the partnership (where an order has been made or an effective resolution passed for our winding up), holders of partnership preferred securities will be entitled to receive, subject to the limitation described below, for each partnership preferred security a liquidation preference of \$1,000, together with all accrued distributions, if any, for the then-current distribution period and an amount equal to any improperly withheld distributions that were payable in accordance with the terms of the partnership preferred securities, without interest, out of

the assets of the partnership available for distribution under the law.

If, at the time a partnership liquidation distribution is to be paid, an order has been made or an effective resolution passed for our winding up, the priority limited partnership interest will have a priority claim to receive a distribution from the partnership equal to any amount of partnership assets that, if distributed as a liquidation distribution on the partnership preferred securities, would result in the partnership preferred securities receiving a liquidation distribution greater than the distribution they would have received if the partnership preferred securities were non-cumulative preference shares issued by us having a liquidation preference equal to the liquidation preference on the partnership preferred securities and bearing dividends at the distribution rate applicable to and on the terms of the partnership preferred securities, together with unpaid distributions payable in accordance with the terms of the partnership preferred securities (without interest). This will reduce the assets available in a liquidation for distribution on the trust preferred securities to a payment equivalent to that payable on our non-cumulative preference shares in our winding up.

Voting Rights. . . . . Generally, holders of the trust preferred securities and the partnership preferred securities will have no voting rights. See “Description of Partnership Preferred Securities—The Partnership” and “Description of Trust Preferred Securities—Voting Rights of the Trust Preferred Securities” below.

Form of Trust Preferred Securities . . . . . The trust preferred securities will be issued in book-entry form only, in liquidation preferences of \$1,000 and integral multiples thereof and will be represented by one or more global certificates registered in the name of a nominee of and deposited with the common depositary for Euroclear and Clearstream, Luxembourg. Other than in the limited circumstances referred to in “Description of Trust Preferred Securities—Book-entry, Delivery and Form,” beneficial interests in the trust preferred securities will be evidenced by, and transfers will be effected only through, records maintained by the participants in Euroclear and Clearstream, Luxembourg.

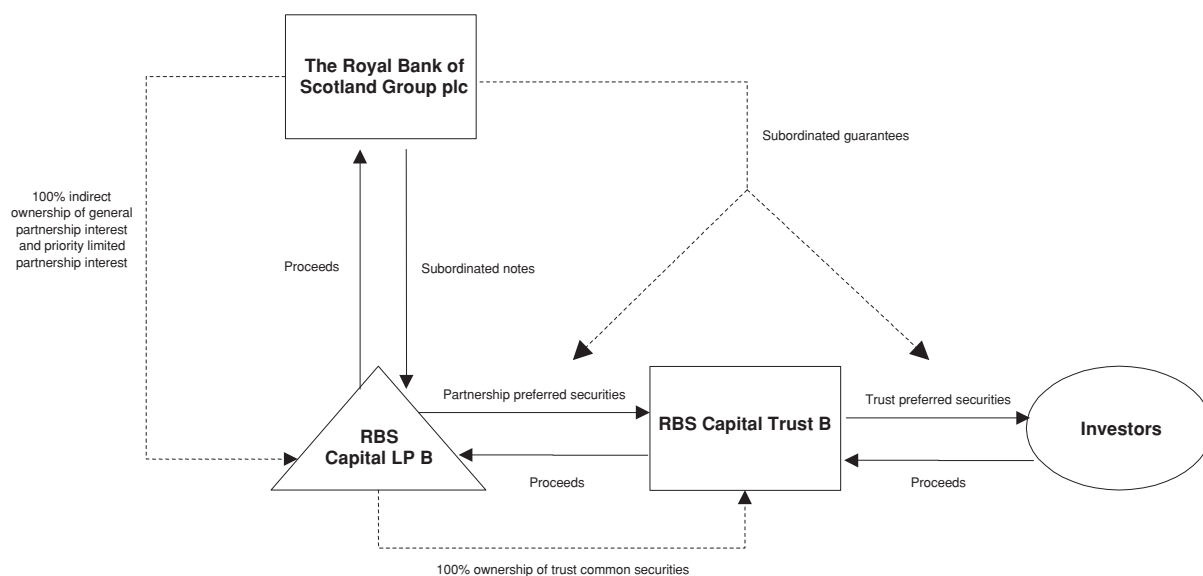
Form of Partnership Preferred Securities . . . . If the partnership preferred securities are distributed to holders of the trust preferred securities in connection with a liquidation of the trust, the partnership preferred securities will be issued in fully registered, definitive form only, in liquidation preferences of \$1,000 and will not be held through Euroclear or Clearstream, Luxembourg.

Governing Law. . . . . The partnership agreement, including the terms of the partnership preferred securities, will be governed by the laws of the State of Delaware. The declaration of trust, including the terms of the trust preferred securities, will be governed by the laws of the State of Delaware. The subordinated guarantees will be governed by the laws of the State of New York (except for the subordination provisions, which will be governed by English law).

Listing . . . . .	Application has been made to list the trust preferred securities on the Luxembourg Stock Exchange.
Rating . . . . .	Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., Moody's Investors Service, Inc. and Fitch, Inc. have provided us letters which confirm the ratings of the trust preferred securities as "A-," "A1" and "AA-," respectively. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organization.
Purchase at Our Option . . . . .	If at any time a holder of trust preferred securities or partnership preferred securities owns 10% or more of our ordinary shares, we will have the right to repurchase, or cause a repurchase of, such investor's trust preferred securities or partnership preferred securities, as applicable.
Selling and Transfer Restrictions . . . . .	Neither the trust preferred securities nor the subordinated guarantees have been or will be registered under the US Securities Act of 1933 (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S under the Securities Act). See "Plan of Distribution" and "Selling and Transfer Restrictions."

## TRANSACTION STRUCTURE

The following diagram depicts the relationship among investors in the trust preferred securities, the trust, the partnership and the Group following completion of the offering:



## **USE OF PROCEEDS**

The trust will use the proceeds from the sale of the trust preferred securities and the trust common securities to purchase the partnership preferred securities from the partnership. The partnership will use the proceeds from the sale of the partnership preferred securities to purchase the subordinated notes from us. We will use the net proceeds of \$735,000,000 from the offering for general corporate purposes and to strengthen our capital base.

## CAPITALIZATION AND INDEBTEDNESS OF THE GROUP

The following table, which is prepared on a consolidated basis, shows our authorized, issued and fully paid share capital and our shareholders' funds and indebtedness as at June 30, 2002, derived from the unaudited consolidated results of the Group for the six months ended June 30, 2002.

	As at June 30, 2002
	£m
<b>Share capital – authorized</b>	
Equity share capital (1) . . . . .	1,343
Additional value shares – shares of £0.01 each . . . . .	27
Preference shares (2) . . . . .	528
	<hr/> 1,898 <hr/>
<b>Share capital – allotted, called up and fully paid</b>	
Ordinary shares . . . . .	721
Additional value shares . . . . .	27
Preference shares (3) . . . . .	2
	<hr/> 750 <hr/>
<b>Retained profit and other reserves</b> . . . . .	26,650
	<hr/>
<b>Total shareholders' funds</b> . . . . .	27,400 <hr/>
<b>Group indebtedness</b>	
Dated loan capital . . . . .	7,247
Undated loan capital . . . . .	6,215
	<hr/>
Subordinated loan capital . . . . .	13,462
Debt securities in issue . . . . .	32,451
	<hr/>
<b>Total indebtedness</b> . . . . .	45,913 <hr/>
<b>Total capitalization and indebtedness</b> . . . . .	73,313 <hr/>

### Notes:

- (1) Our authorized equity share capital as at June 30, 2002 was £1,343 million consisting of 4,079 million ordinary shares of £0.25 each and 32,300 million of non-voting deferred shares of £0.01 each.
- (2) Our authorized preference share capital as at June 30, 2002 was £528 million consisting of 238.5 million non-cumulative preference shares of \$0.01 each, 3.9 million non-cumulative convertible preference shares of \$0.01 each, 66 million non-cumulative preference shares of €0.01 each, 3 million non-cumulative convertible preference shares of €0.01 each, 900 million non-cumulative convertible preference shares of £0.25 each, 1.0 million non-cumulative convertible preference shares of £0.01 each, 0.9 million cumulative preference shares of £1 each and 300 million non-cumulative preference shares of £1 each.
- (3) Our allotted, called up and fully paid preference share capital as at June 30, 2002 was £2 million consisting of 106 million non-cumulative preference shares of \$0.01 each, 1.9 million non-cumulative convertible preference shares of \$0.01 each, 0.75 million non-cumulative convertible preference shares of €0.01 each, 0.2 million non-cumulative convertible preference shares of £0.01 each and 0.9 million cumulative preference shares of £1 each.

As at June 30, 2002, the Group had total liabilities including shareholders' funds of £397,139 million, including deposits by banks of £47,015 million and customer accounts of £204,800 million.

Since June 30, 2002, there have been the following changes to the indebtedness of the Group:

- in September 2002, RBS plc issued £300 million of undated loan capital;
- in September 2002, NWB Plc repaid \$250 million of dated loan capital;
- in October 2002, we issued \$750 million of dated loan capital;
- in November 2002, we issued \$250 million and RBS plc issued €100 million of dated loan capital; and

- in respect of the current offering, we will issue subordinated notes due December 5, 2042 for an aggregate amount of \$750,001,000 in December 2002.

All of the above indebtedness is unsecured.

As at June 30, 2002, the Group had contingent liabilities and guarantees arising in the normal course of business totaling £13,045 million, consisting of acceptances and endorsements of £2,246 million, guarantees and assets pledged as collateral security of £4,970 million and other contingent liabilities of £5,829 million.

Save as disclosed above, there has been no material change in the total capitalization, indebtedness or contingent liabilities of the Group since June 30, 2002.

## SELECTED CONSOLIDATED FINANCIAL DATA

The following financial information for the six months ended June 30, 2002 and June 30, 2001, and for the year ended December 31, 2001 has been selected from our interim report on Form 6-K for the six months ended June 30, 2002, filed with the SEC on August 7, 2002. You should read the following information together with our consolidated financial statements and the notes to our consolidated financial statements included in our annual report on Form 20-F for the year ended December 31, 2001, and our interim report on Form 6-K for the six months ended June 30, 2002, both of which are incorporated by reference into this Offering Circular. Our consolidated financial statements are prepared in accordance with UK generally accepted accounting principles.

### Selected consolidated financial data

	First half 2002 Unaudited	First half 2001	Full year 2001 (restated) Audited
	£m	£m	£m
<b>Summary consolidated profit and loss account</b>			
Net interest income . . . . .	3,873	3,253	6,846
Non-interest income . . . . .	4,309	3,569	7,712
	<hr/>	<hr/>	<hr/>
Total income . . . . .	8,182	6,822	14,558
Operating expenses . . . . .	4,566	3,963	8,367
General insurance claims – net . . . . .	639	418	948
	<hr/>	<hr/>	<hr/>
Operating profit before provisions . . . . .	2,977	2,441	5,243
Provisions for bad and doubtful debts . . . . .	611	367	984
Amounts written off fixed asset investments . . . . .	41	2	7
	<hr/>	<hr/>	<hr/>
Profit on ordinary activities before tax . . . . .	2,325	2,072	4,252
Tax on profit on ordinary activities . . . . .	781	746	1,537
	<hr/>	<hr/>	<hr/>
Profit on ordinary activities after tax . . . . .	1,544	1,326	2,715
Minority interests (including non-equity) . . . . .	49	44	90
Preference dividends . . . . .	159	178	358
Additional Value Shares dividend . . . . .	—	—	399
	<hr/>	<hr/>	<hr/>
Profit attributable to ordinary shareholders . . . . .	1,336	1,104	1,868
Ordinary dividends . . . . .	368	313	1,085
	<hr/>	<hr/>	<hr/>
Retained profit . . . . .	968	791	783
	<hr/>	<hr/>	<hr/>

The results below have been presented on the following basis:

- (1) Operating profit is stated before goodwill amortization and integration costs which are shown separately on the face of the profit and loss account.
- (2) Integration costs comprise expenditure incurred in respect of cost reduction and revenue enhancement targets set in connection with the acquisition of NatWest and costs of integrating the regional retail and commercial banking operations acquired from Mellon Financial Corporation in December 2001, together with expenditure incurred on the related cost reduction and revenue enhancement targets.

	First half 2002	First half 2001	Full year 2001 (restated)
	£m	£m	£m
<b>Summary consolidated profit and loss account</b>			
Net interest income . . . . .	3,873	3,253	6,846
Non-interest income . . . . .	4,309	3,569	7,712
Total income. . . . .	8,182	6,822	14,558
Operating expenses . . . . .	3,740	3,284	6,841
General insurance claims – net . . . . .	639	418	948
Operating profit before provisions . . . . .	3,803	3,120	6,769
Provisions for bad and doubtful debts . . . . .	611	367	984
Amounts written off fixed asset investments . . . . .	41	2	7
Profit before goodwill amortization and integration costs . . . . .	3,151	2,751	5,778
Goodwill amortization . . . . .	365	318	651
Integration costs . . . . .	461	361	875
Profit before tax . . . . .	2,325	2,072	4,252
Tax . . . . .	781	746	1,537
Profit after tax. . . . .	1,544	1,326	2,715
Minority interests (including non-equity) . . . . .	49	44	90
Preference dividends . . . . .	159	178	358
Additional Value Shares dividend . . . . .	—	—	399
Profit attributable to ordinary shareholders . . . . .	1,336	1,104	1,868

	June 30, 2002 Unaudited	June 30, 2001 (restated)	December 31, 2001 (restated) Audited
	£m	£m	£m
<b>Selected consolidated balance sheet data</b>			
Total assets. . . . .	397,139	340,943	368,859
Loans and advances to customers . . . . .	209,884	179,389	190,492
Loans and advances to banks . . . . .	39,172	39,748	38,513
Debt securities and equity shares. . . . .	70,623	55,330	65,597
Intangible fixed assets . . . . .	12,981	11,821	13,325
Total liabilities . . . . .	397,139	340,943	368,859
Customer accounts. . . . .	204,800	180,964	198,995
Deposits by banks . . . . .	47,015	35,627	40,038
Debt securities in issue. . . . .	32,451	29,847	30,669
Subordinated liabilities. . . . .	13,462	10,659	12,530
Shareholders' funds . . . . .	27,400	24,570	26,668

The Group has implemented Financial Reporting Standard 19 'Deferred Tax' which requires recognition of deferred tax assets and liabilities on all timing differences, with specified exceptions. Previously, provision was made for deferred tax only to the extent that timing differences were expected to reverse and the deferred tax liability crystallize in the foreseeable future. Prior periods have been restated resulting in a decrease in profit and loss account reserves of £117 million at June 30, 2001 and December 31, 2001; an increase in the deferred tax liability of £182 million at June 30, 2001 and £194 million at December 31, 2001; and an increase in the deferred tax asset of £65 million at June 30, 2001 and £77 million at December 31, 2001. The tax charge for 2001 is unchanged.

Following the issuance of Urgent Issues Task Force Abstract 33 'Obligations in capital instruments' in February 2002, the Group has reclassified its perpetual regulatory tier one securities, issued in August 2001, from non-equity shareholders' funds to subordinated liabilities, and the interest on these securities is now included in interest payable rather than non-equity dividends. Comparative figures have been restated, resulting in an increase in interest payable of £23 million in the second half of 2001, a reduction in non-equity shareholders' funds of £835 million, an increase in undated loan capital of £820 million and an increase in accruals and deferred income of £15 million as at December 31, 2001.

The following financial information which has been extracted from our annual report on Form 20-F for the year ended December 31, 2001, filed with the SEC on April 12, 2002, has not been restated for changes in accounting policies implemented with effect from January 1, 2002.

	Year ended December 31, 2001 Audited	Year ended December 31, 2000 Audited
	£m	£m
<b>Summary consolidated profit and loss account</b>		
Net interest income . . . . .	6,869	5,286
Non-interest income . . . . .	7,712	5,709
Total income . . . . .	14,581	10,995
Operating expenses . . . . .	8,367	6,760
General insurance claims – net . . . . .	948	673
Operating profit before provisions . . . . .	5,266	3,562
Provisions for bad and doubtful debts . . . . .	984	550
Amounts written off fixed asset investments . . . . .	7	42
Profit on ordinary activities before tax . . . . .	4,275	2,970
Tax on profit on ordinary activities . . . . .	1,537	1,033
Profit on ordinary activities after tax . . . . .	2,738	1,937
Minority interests (including non-equity) . . . . .	90	50
Preference dividends . . . . .	358	294
Perpetual regulatory securities interest . . . . .	23	—
Additional Value Shares dividend . . . . .	399	—
Profit attributable to ordinary shareholders . . . . .	1,868	1,593
Ordinary dividends . . . . .	1,085	882
Retained profit . . . . .	783	711
	December 31, 2001 Audited	December 31, 2000 Audited
	£m	£m
<b>Selected consolidated balance sheet data</b>		
Total assets . . . . .	368,782	320,004
Loans and advances to customers . . . . .	190,492	168,076
Loans and advances to banks . . . . .	38,513	32,061
Debt securities and equity shares . . . . .	65,597	59,342
Intangible fixed assets . . . . .	13,325	12,080
Total liabilities . . . . .	368,782	320,004
Customer accounts . . . . .	198,995	177,302
Deposits by banks . . . . .	40,038	35,130
Debt securities in issue . . . . .	30,669	19,407
Subordinated liabilities . . . . .	11,710	10,436
Shareholders' funds . . . . .	27,620	23,116

## INVESTMENT CONSIDERATIONS

*You should carefully consider the following investment considerations and the other information in this Offering Circular before deciding whether an investment in the trust preferred securities is suitable for you.*

***If the Group's financial condition were to deteriorate, you could lose all or a part of your investment.***

If the Group's financial condition were to deteriorate, we could suspend distributions or other payments under the trust preferred securities, partnership preferred securities and subordinated guarantees and you would not receive any distributions or other payments. If the Group liquidates, dissolves or winds up, you could lose all or a part of your investment.

***You will only receive distributions on your trust preferred securities if we pay interest on the subordinated notes and the partnership pays related distributions on the partnership preferred securities.***

The ability of the trust to make payments on the trust preferred securities is solely dependent upon our making the related payments on the subordinated notes and the partnership making the related payments on the partnership preferred securities when due. If we default on our obligations to make payments on the subordinated notes, the partnership will not have funds with which to make any distribution on the partnership preferred securities and the trust will not have sufficient funds to make payments on the trust preferred securities. In those circumstances, you will have to rely upon the subordinated guarantees from us as described in this Offering Circular for payment of these amounts.

***Our obligations under the subordinated guarantees are limited to the amounts of the payments due and unpaid under the partnership preferred securities and the trust preferred securities.***

Our obligation to make payments under the subordinated guarantees is limited to the extent of the amounts due and unpaid under the partnership preferred securities or the trust preferred securities, as the case may be. Your rights to distribution payments under these securities may be limited to the extent that the partnership has received a "no distribution instruction" or a "partial distribution instruction" from us, which we will deliver if we do not have available sufficient distributable profits to make payments in full on the partnership preferred securities and all securities ranking equally as to rights to payments or, even if we have sufficient distributable profits, if such payments would breach or cause a breach of the capital adequacy requirements of the UK Financial Services Authority applicable to us and/or any of our subsidiaries. You will have no right to seek payment of amounts under the subordinated guarantees that would exceed any amount you would have been able to receive had you been a holder of our directly issued non-cumulative preference shares having an equal liquidation preference.

Under no circumstances do the subordinated guarantees provide for acceleration of any payments on, or repayments of, the trust preferred securities or the partnership preferred securities.

***We are not required to pay you under the subordinated guarantees unless we first make other required payments.***

Our obligations under the subordinated guarantees will rank junior as to payments to all our liabilities to creditors (including, without limitation, depositors, general creditors and subordinated debt holders) and claims of holders of senior ranking securities. In the event of our winding up, liquidation or dissolution, our assets would be available to pay obligations under the subordinated guarantees only after we have made all payments on such liabilities and claims. None of the trust preferred securities, the partnership preferred securities, the subordinated notes or the subordinated guarantees limit our ability or the ability of any entity in the Group to incur additional indebtedness, including indebtedness that ranks senior in priority of payment to the subordinated guarantees.

***You should not rely on distributions—we may redeem the trust preferred securities at any time if certain adverse consequences occur as a result of the application of UK or US regulations or tax or investment company law and we may redeem them at our option on or after March 31, 2008.***

If certain events occur, which are more fully described in this Offering Circular, as a result of the application of UK or US regulations or tax or investment company law and certain other conditions which are more fully described below are satisfied, the partnership preferred securities could be redeemed by the partnership prior to March 31, 2008. Additionally, the partnership preferred securities may, with the written consent of the UK Financial Services Authority, be redeemed by the partnership, in whole or in part, on March 31, 2008 and on any distribution payment date thereafter. You should assume that this redemption

option will be exercised if we are able to refinance at a lower cost of funding or it is otherwise in our interest to redeem the partnership preferred securities and the trust preferred securities. If partnership preferred securities are redeemed, the trust must redeem the trust preferred securities. See “Description of Trust Preferred Securities—Redemption of Trust Preferred Securities” and “Description of Partnership Preferred Securities—Redemption of Partnership Preferred Securities.”

***There could be adverse consequences for you if we liquidate the trust.***

We have the right to dissolve and liquidate the trust under certain circumstances. If we decide to exercise this right, an amount equal to the aggregate liquidation preference of the trust preferred securities plus any unpaid distributions, or partnership preferred securities or, following a substitution event, non-cumulative dollar preference shares will be distributed to you on a proportionate basis in return for the surrender and cancellation of your trust preferred securities. The trading value of the partnership preferred securities or non-cumulative dollar preference shares you receive may be lower than the trading value of the trust preferred securities, and, as a result, you may receive a lower return upon the sale of the partnership preferred securities or non-cumulative dollar preference shares.

***Since you have limited voting rights, you cannot prevent the trustees of the trust from taking actions you may not agree with.***

You will have limited voting rights with respect to the trust preferred securities. In particular, except for the limited exceptions described in this Offering Circular, only the partnership, which is a subsidiary of ours and the owner of all the trust common securities, can elect or remove any of the trustees. See “Description of Trust Preferred Securities—Voting Rights of the Trust Preferred Securities” below.

***An active market for the trust preferred securities may fail to develop or may not be sustainable.***

Prior to the offering, there has been no trading market for the trust preferred securities. We cannot assure you that an active or liquid market will develop or be sustainable for the trust preferred securities.

***Proposed EU Savings Tax Directive.***

The European Union is currently considering proposals for a new directive regarding the taxation of savings income. Subject to a number of important conditions being met, it is proposed that Member States will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State, subject to the right of certain Member States to opt instead for a withholding system for a transitional period in relation to such payments.

***If we substitute non-cumulative preference shares for the trust preferred securities, the earliest date that we can redeem the securities may be extended.***

We may, under certain circumstances, substitute the trust preferred securities for our non-cumulative dollar preference shares. If we choose to effect a substitution, we will not be permitted to redeem the non-cumulative dollar preference shares for a period of five years after the date of the substitution. While we have no obligation to redeem the trust preferred securities, substitution of our non-cumulative dollar preference shares for your trust preferred securities could result in a substantial extension of the term of your securities.

## OUR GROUP

The Royal Bank of Scotland Group plc is a public limited company incorporated in Great Britain and registered in Scotland in 1968 with registration number 45551. Our Group is a diversified financial services group engaged in a wide range of banking, financial and finance-related activities in the United Kingdom and internationally. The Group's operations are principally centered in the UK.

The Group has two principal operating subsidiaries, The Royal Bank of Scotland plc and National Westminster Bank Plc, each of which controls, directs and promotes the operations of various subsidiary companies. RBS plc is a major UK clearing bank whose predecessors date back to 1727. RBS plc was created by the merger in 1985 of the former The Royal Bank of Scotland plc, the largest of the Scottish clearing banks, and Williams & Glyn's Bank plc, a wholly-owned English clearing bank subsidiary of the Group. At December 31, 2001, RBS had 644 branches in the UK.

NatWest was acquired by the Group on March 6, 2000. NWB Plc was incorporated in England in 1968 and was formed from the merger of National Provincial Bank Limited and Westminster Bank Limited, which had themselves been formed through a series of mergers involving banks with origins dating back to the 17th century. At 31 December 2001, NatWest had 2,133 branches, representative and similar offices worldwide, of which approximately 2,000, principally branch offices, were located in the UK.

### Business Overview

At and for the year ended December 31, 2001, based on domicile of customer, no country outside the UK or the United States accounted for more than 10% of total assets or profit before tax or net assets of the Group. At December 31, 2001, the Group had total assets of £369 billion (December 31, 2000 – £320 billion) and total deposits of £239 billion (December 31, 2000 – £212 billion). Shareholders' funds at December 31, 2001 (restated) were £26,668 million (December 31, 2000 (restated) – £22,999 million). At December 31, 2001, the Group employed 105,700 staff (December 31, 2000 – 94,000) on a full-time equivalent basis.

At June 30, 2002, the Group had total assets of £397 billion and total deposits of £252 billion. Shareholders' funds at June 30, 2002 were £27,400 million. At June 30, 2002, the Group employed 111,500 staff on a full-time equivalent basis.

The Group's activities are organized in the following business divisions: Corporate Banking and Financial Markets, Retail Banking, Retail Direct, Manufacturing, Wealth Management, Direct Line Group, Ulster Bank, Citizens and the Centre. A description of the activities of each of the Group's businesses is given below.

### *Corporate Banking and Financial Markets*

Corporate Banking and Financial Markets ("CBFM") is the largest provider of banking services to medium and large businesses in the UK and the leading player in the UK in asset finance. It provides an integrated range of products and services to mid-sized and large corporate and institutional customers in the UK and overseas, including corporate and commercial banking, treasury and capital markets products, structured and leveraged finance, trade finance, leasing and factoring. It also has complementary subsidiary businesses covering cash flow management, traditional finance house products and asset based finance for large capital equipment projects. CBFM expanded its operations in Europe and completed the acquisition of Euro Sales Finance plc during 2001.

Financial Markets provides corporate and institutional customers with treasury services, including global interest rate derivatives trading, bond origination and trading, credit sales and trading, sovereign debt trading and futures brokerage. In addition, it provides foreign exchange, money market, currency derivative and rate risk management services to corporate and institutional clients. It also engages in similar activities for its own account, and provides treasury services support to the Group. Greenwich Capital Markets Inc., headquartered in Connecticut, delivers debt market solutions tailored to meet the needs of companies and institutions around the world.

On May 17, 2002, CBFM completed the acquisition of Dixon Motors PLC, one of the largest car dealership groups in the UK.

### *Retail Banking*

Retail Banking provides a wide range of banking, insurance and related financial services to individuals and small businesses. These services are delivered from a network of RBS and NatWest branches throughout

Great Britain and through telephone call centers, ATMs and the internet. It also has complementary subsidiary businesses covering life assurance, pensions and private banking.

In the personal banking market, Retail Banking offers money transmission, savings and loan facilities. In the small business banking market, Retail Banking provides a range of services which includes money transmission and cash management, short-, medium- and long-term finance and retail and wholesale deposit-taking products.

The retail banking activities of RBS and NatWest continue to operate under their own brands and compete with each other. As at December 31, 2001, RBS had 644 (December 31, 2000 – 634) and NatWest had 1,643 (December 31, 2000 – 1,643) branches respectively, in the United Kingdom.

### ***Retail Direct***

Retail Direct issues a comprehensive range of credit, charge and debit cards to personal and corporate customers and engages in merchant acquisition and processing facilities for retail businesses. It also includes Tesco Personal Finance (“TPF”), Virgin Direct Personal Finance (“VDPF”), Direct Line Financial Services (“DLFS”), Lombard Direct, the Group’s internet banking platform and Comfort Card European businesses, all of them offering products to customers through direct channels.

### ***Manufacturing***

Manufacturing supports the customer facing businesses, mainly Corporate Banking and Financial Markets, Retail Banking and Retail Direct, and provides operational technology, account management, money transmission, property and other services.

### ***Wealth Management***

Wealth Management comprises Coutts Group, Adam & Company and the offshore banking businesses, The Royal Bank of Scotland International and NatWest Offshore. The Coutts Group focuses on private banking through the Coutts, The Royal Bank of Scotland and NatWest Private Banking brands. Adam & Company is a private bank operating primarily in Scotland. The offshore businesses deliver retail banking services to local and expatriate customers, and corporate banking and treasury services to corporate, intermediary and institutional clients.

### ***Direct Line Group***

Direct Line Group sells and underwrites retail and wholesale insurance on the telephone and the internet. The Direct Division sells general insurance and motor breakdown services direct to the customer, and Green Flag is a leading wholesale provider of insurance and motoring related services. Through its International Division, Direct Line sells insurance in Spain, Japan, Germany and Italy.

### ***Ulster Bank***

Ulster Bank provides a comprehensive range of retail and wholesale financial services in Northern Ireland and the Republic of Ireland. Retail Banking has a network of branches throughout Ireland and operates in the personal, commercial and wealth management sectors. Corporate Banking and Financial Markets provides a wide range of services in the corporate and institutional markets.

### ***Citizens***

Citizens is engaged in retail and corporate banking activities through its branch network in the states of Rhode Island, Connecticut, Massachusetts, New Hampshire, Pennsylvania, Delaware and New Jersey and is one of the 20 largest banks in the United States. Citizens provides a full range of retail and corporate banking services, including personal banking, residential mortgages and home equity loans. In addition, Citizens engages in a wide variety of commercial loan and commercial real estate activities, consumer lending, credit card services, trust services and retail investment services. Citizens also operates subsidiaries primarily engaged in equipment lease financing. Citizens completed the acquisition of the Mellon Regional Franchise on December 1, 2001. On October 15, 2002 Citizens completed the acquisition of Medford Bancorp, Inc., a Massachusetts savings bank operating 19 branches. On September 30, 2002 Citizens announced that it had agreed to acquire the entire issued share capital of Commonwealth Bancorp Inc., a Pennsylvania based commercial bank operating 60 branches. The transaction is subject to the approval of the Commonwealth Bancorp shareholders and US regulators.

### *The Centre*

The Centre comprises group and corporate functions which provide services to the operating divisions.

### *Competition*

In the UK, RBS and NatWest's principal competitors are other clearing banks, building societies and the other major international banks represented in London.

Competition to serve corporate and institutional customers in the United Kingdom remains strong. In addition to the UK banks, large US and European financial institutions are also active, and offer combined investment and commercial banking capabilities. In asset finance, Lombard competes with both banks and specialized asset finance providers, both captive and non-captive.

In the small business banking market, the Group competes with other UK clearing banks, with specialist finance providers and building societies. During 2002 competition within this market remained strong as former building societies continue to develop their offerings.

In the personal banking market, competition remains intense. In addition to UK banks and building societies, major retailers, life assurance companies and internet-only players are active in the market. NatWest Life and Royal Scottish Assurance compete with independent financial advisers and life assurance companies. Competition in the long term savings market is dynamic, due to regulatory change and the impact of highly volatile securities markets on both consumer confidence and traditional with-profits life assurance companies' solvency.

The UK credit card market is highly competitive. Major retailers, utilities and specialist card issuers, including major US operators, are active in the market in addition to the UK banks and building societies. Competition is across a range of dimensions, including aggressive pricing, loyalty and reward schemes, and packaged benefits. In addition to physical distribution channels, providers compete through direct marketing activity and, increasingly, the internet.

In Wealth Management, The Royal Bank of Scotland International and NatWest Offshore compete with other UK and international banks to offer offshore banking services. Coutts Group and Adam & Company compete as private banks with UK clearing and private banks, and with international private banks. Difficult market conditions have seen some retrenchment of competitive activity, particularly in the mass-affluent segment.

Direct Line competes in personal lines insurance. The market is highly competitive, particularly the automobile segment. Direct Line faces competition from a range of insurance companies who now operate telephone and internet direct sales businesses. Direct Line also competes in the direct motor insurance markets in Spain, Italy, Germany and Japan where it competes with the local insurance companies.

In Northern Ireland and the Republic of Ireland, Ulster Bank competes in retail and commercial banking with the major Irish banks and building societies, and with other UK and international banks and building societies active in the market. Competition is intensifying as both UK and Irish institutions seek to expand their businesses.

In the United States, Citizens, through its banking subsidiaries, competes in the New England and mid-Atlantic, retail and mid-corporate banking markets with local and regional banks and other financial institutions. The Group also competes in the United States in large corporate lending and specialized finance markets, and in fixed-income trading and sales. Competition is principally with the large US commercial and investment banks and international banks active in the United States.

In other international markets, principally in continental Europe, the Group faces competition from the leading domestic and international players active in the relevant national markets.

The Competition Commission published its report on the supply of banking services by clearing banks to small- and medium-sized enterprises (SMEs) in March 2002. The report recommended a number of pricing and behavioral remedies.

The Group has, along with three other major clearing banks, given undertakings to implement the pricing remedies with effect from January 1, 2003. These undertakings require the Group to offer its SME customers either interest on current accounts at a prescribed rate or free core money transmission services or a choice between the two. The Group, along with seven other clearing banks, has also given undertakings to implement the behavioral remedies.

## Our Directors

Set out below is certain information about our directors and our company secretary:

<b>Name</b>	<b>Occupation</b>
<b>Chairman</b>	
Sir George Ross Mathewson	Chairman
<b>Vice-Chairmen</b>	
Sir Iain David Thomas Vallance	President Emeritus, British Telecommunications plc
Sir Angus McFarlane McLeod Grossart	Chairman and Managing Director, Noble Grossart Limited
<b>Executive Directors</b>	
Frederick Anderson Goodwin	Group Chief Executive
Lawrence Kingsbaker Fish	Chairman, President and Chief Executive Officer, Citizens Financial Group, Inc.
Norman Cardie McLuskie	Chief Executive, Retail Direct
Gordon Francis Pell	Chairman, Retail Banking & Wealth Management
Iain Samuel Robertson	Chairman, Corporate Banking and Financial Markets
Frederick Inglis Watt	Group Finance Director
<b>Non-executive Directors</b>	
Don Emilio Botin-Sanz de Sautuola y Garcia de los Rios	Chairman, Santander Central Hispano Group
Colin Alexander Mason Buchan	Formerly Head of Global Equities, UBS Warburg
James McGill Currie	Formerly Director General at the European Commission
Juan Rodriguez Inciarte	Director, Santander Central Hispano Group
Eileen Alison Mackay	Non-executive Director, Edinburgh Investment Trust plc
Sir Steve Robson	Company Director
Robert Avisson Scott	Formerly Chief Executive, Aviva plc
Peter Denis Sutherland	Chairman and Managing Director, Goldman Sachs International
William Moore Wilson	Chartered Accountant and Company Director
<b>Company Secretary</b>	
Miller Roy McLean	Group Director, Legal and Regulatory Affairs and Group Secretary

At each annual general meeting of our shareholders, the terms of office of directors appointed since the previous annual general meeting, together with the terms of one-third by rotation of the remaining directors, expire.

The business address of each of the above is 42 St. Andrew Square, Edinburgh EH2 2YE, Scotland.

## DESCRIPTION OF TRUST PREFERRED SECURITIES

*The following description of particular terms and provisions of the trust preferred securities summarizes the general terms and provisions of the trust preferred securities. The descriptions in this Offering Circular may not contain all of the information that may be important to you. We refer you to the amended and restated declaration of trust pursuant to which the trust preferred securities will be issued. A copy of the form of amended and restated declaration of trust is available for inspection free of charge at the offices of any paying agent. The terms of the trust preferred securities include those stated in the declaration of trust and are deemed to include those which would be made part of the declaration of trust by the US Trust Indenture Act of 1939.*

### The Trust

RBS Capital Trust B (the “trust”) is a statutory trust formed and continued under the Delaware Statutory Trust Act pursuant to (i) an amended and restated declaration of trust, to be dated as of December 5, 2002, and executed by RBSG Capital Corporation, as sponsor, the partnership, as holder of the trust common securities and as the initial administrator, The Bank of New York, as property trustee and The Bank of New York (Delaware), as Delaware trustee, and (ii) a certificate of trust, dated as of November 13, 2002 and filed with the Secretary of State of the State of Delaware on November 14, 2002. The trust is our indirect subsidiary. The trust’s business and affairs are conducted by the trust administrator. The partnership will serve as the trust administrator.

The trust exists for the exclusive purposes of:

- issuing the trust preferred securities, representing a corresponding series of partnership preferred securities to be held by the trust;
- issuing trust common securities;
- investing the proceeds from sale of trust preferred securities in the partnership preferred securities;
- distributing payments received on the partnership preferred securities; and
- engaging only in those functions necessary or incidental to the foregoing.

The partnership preferred securities will be the sole assets of the trust, and payments under the partnership preferred securities will be the sole revenue of the trust.

All of the trust common securities will be owned by the partnership. The trust common securities will rank equally, and payments will be made thereon pro rata with the trust preferred securities, except that upon the occurrence and continuance of failure to make a payment when due and payable on the trust preferred securities, the rights of the trust common securities holder to payment in respect of distributions and payments upon liquidation, redemption or otherwise will be subordinated to the rights of the holders of the trust preferred securities. The trust does not have any other share capital or debt other than the trust common securities and the trust preferred securities issued.

The trust will hold legal title to the partnership preferred securities. The Bank of New York, as property trustee under the declaration of trust, will hold the partnership preferred securities for the benefit of the trust and the holders of the trust preferred securities and trust common securities. As the holder of the partnership preferred securities, the property trustee will have the power to exercise all rights, powers and privileges of a holder of partnership preferred securities under the partnership agreement. In addition, the property trustee will maintain exclusive control of a segregated non-interest bearing bank account (the “property account”) to hold all payments made in respect of the partnership preferred securities for the benefit of the holders of the trust preferred securities.

The Bank of New York, as guarantee trustee under the guarantee relating to the trust securities (the “trust securities subordinated guarantee”) and the guarantee relating to the partnership preferred securities (the “partnership securities subordinated guarantee” and together with the trust securities subordinated guarantee, the “subordinated guarantees”), will hold the trust securities subordinated guarantee for the benefit of the holders of the trust securities. Unless payments on the trust preferred securities have not been made when due and payable, the holder of the trust common securities will have the right to appoint, remove or replace any of the trustees or the trust administrator and to increase or decrease the number of trustees; *provided* that the number of trustees will be at least two; and *provided further* that at least one trustee will be

a Delaware trustee and at least one trustee will be the property trustee. If payments on the trust preferred securities have not been made when due and payable, then the property trustee or the Delaware trustee may be removed by a vote of holders of a majority of liquidation preference of the trust preferred securities. In addition, there shall always be a trust administrator, unless one or more regular trustees are appointed to conduct the trust's business and affairs.

For so long as the trust preferred securities remain outstanding, we will covenant to:

- maintain directly or indirectly ownership of all of the trust common securities;
- cause the trust to remain a statutory trust and not to voluntarily dissolve, wind-up, liquidate or terminate the trust, except as permitted by the declaration of trust;
- use our reasonable efforts to ensure that the trust will not be required to register as an "investment company" within the meaning of the US Investment Company Act of 1940;
- take no action that would be reasonably likely to cause the trust to be classified as other than a grantor trust for US federal income tax purposes; and
- make reasonable efforts to avoid UK withholding tax arising on the subordinated notes including, if applicable, substituting the subordinated notes for other eligible investments.

The trust will not prepare public consolidated or non-consolidated financial statements.

The office of the property trustee is 101 Barclay Street, Floor 21 West, New York, New York 10286. The office of the Delaware trustee is White Clay Center, Newark, Delaware 19711. The location of the principal executive office of the trust is c/o RBSG Capital Corporation at Citizens Bank, One Citizens Plaza, Providence, Rhode Island 02903-1339.

RBS Capital LP B, as administrator will provide the trust with legal, accounting, tax and other general support services and provide administrative, record-keeping, secretarial and other administrative services. The fees and expenses of the trust, including any taxes or charges imposed by the United States or any other governmental authority, will be paid by us as described under "—Payment of Fees and Expenses of the Trust" below. The address of the administrator is c/o RBSG Capital Corporation at Citizens Bank, One Citizens Plaza, Providence, Rhode Island 02903-1339.

### **General Terms of the Trust Preferred Securities**

The declaration of trust does not permit the trust to issue any securities other than the trust preferred securities and the trust common securities to be sold to the partnership, and does not permit it to incur any indebtedness for borrowed money. The trust preferred securities will be issued with a liquidation preference of \$1,000 per trust preferred security and will rank without preference among themselves. The declaration of trust also does not permit the trust to invest in any assets other than the partnership preferred securities, as described under "Description of Partnership Preferred Securities" below. Application has been made to list the trust preferred securities on the Luxembourg Stock Exchange.

The declaration of trust authorizes the trust to issue the trust preferred securities, each of which represents an undivided beneficial interest in the assets of the trust.

The trust preferred securities will initially be issued in an aggregate liquidation preference of \$750,000,000. The trust may, without the consent of the holders of the trust preferred securities, issue additional trust preferred securities and purchase a corresponding amount of partnership preferred securities with the proceeds of any such issue. Any such additional trust preferred securities will have the same terms and provisions as the trust preferred securities offered hereby, and will constitute a further issuance of the series of trust preferred securities offered hereby. There is no limitation on the amount of trust preferred securities the trust may issue under the terms of the declaration of trust, and holders of the trust preferred securities have no pre-emptive or similar rights. Under the declaration of trust, the property trustee will hold legal title to the partnership preferred securities held by the trust for the benefit of the holders of trust preferred securities.

The trust's only source of funds to make payments to the holders of the trust preferred securities will be from the payments it receives on the partnership preferred securities or the subordinated guarantees and holders of trust preferred securities will not be entitled to receive payments on the trust preferred securities or under the subordinated guarantees except to the extent that corresponding distributions or other amounts are due and payable in accordance with the terms of the partnership preferred securities. If payments are not made on the partnership preferred securities or the subordinated guarantees, the property trustee will not have

funds available to make payments (including distributions) on the trust preferred securities. Distributions, redemption payments, liquidation payments or any other payments the trust receives as the holder of the partnership preferred securities will be passed through to the holders of the trust securities, on a pro rata basis if, as and when received by the property trustee. See “Description of Partnership Preferred Securities—Distributions on the Partnership Preferred Securities.” The property trustee will also pass through to holders of trust preferred securities any rights to vote, consent, and other related matters that require the approval of the holders of the partnership preferred securities.

To the fullest extent permitted by law, the property trustee, in its role as trustee, is entitled to enforce the terms of the partnership preferred securities on behalf of the trust, including the right to receive payments. The property trustee will not have the right to enforce, and no holder of trust preferred securities, partnership preferred securities or non-cumulative dollar preference shares (which may be issued upon a substitution event) will have the right to hold or enforce, the subordinated notes or other assets of the partnership.

We will irrevocably and unconditionally guarantee, on a subordinated basis, payments on the trust preferred securities and partnership preferred securities to the extent described under “Description of Subordinated Guarantees.” The subordinated guarantees will be held by The Bank of New York, as guarantee trustee, for the benefit of the holders of the trust preferred securities and partnership preferred securities, respectively.

### **Distributions on the Trust Preferred Securities**

The distribution rate for the trust preferred securities will be fixed at a rate of 6.80% per annum of the liquidation preference. Distributions on the trust preferred securities will accrue from the issue date of the trust preferred securities and will be payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, in each case in respect of the period from and including the previous distribution payment date to but excluding such distribution payment date. The first distribution payment shall be made on March 31, 2003 in respect of the period from (and including) the issue date to (but excluding) such date. Distributions will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each.

If any distribution payment date falls on a day that is not a day on which banks in London and New York are open for business (a “business day”), then such distribution payment date will be the immediately preceding business day.

Distributions on the trust preferred securities will be paid only to the extent the trust has funds available to it. Amounts available to the trust for distributions to the holders of the trust preferred securities will be limited to payments received from the partnership and from payments received from us under the trust securities subordinated guarantees.

Distributions and other payments on the trust preferred securities will be payable to the holders of record as they appear on the books and records of the trust on the relevant record dates. The record dates for the trust preferred securities will be, if the trust preferred securities are held in book-entry form, one business day prior to the relevant distribution payment date. In the event that the trust preferred securities are not in book-entry form, the record date will be the fifteenth day, whether or not a business day, preceding the scheduled distribution payment date. These payments will be made by the property trustee, who will hold amounts received on the partnership preferred securities for the benefit of the holders of trust preferred securities, or, if the trust preferred securities are not in book-entry form, by a paying agent (including the paying agent in Luxembourg) acting on its behalf, upon presentation of the relevant certificate at the offices of such paying agent. Amounts received by the Trust on the partnership preferred securities will be distributed to the holders of the trust preferred securities as promptly as practicable. Subject to any applicable laws and regulations and the provisions of the declaration of trust, each payment will be made in accordance with the clearance and settlement procedures described under “—Book-entry, Delivery and Form” below. Any right to any unclaimed payment on the trust preferred securities will escheat in accordance with applicable law unless a claim for payment is made within the applicable statute of limitations.

The trust’s obligation to pay any additional amounts on payments on the trust preferred securities is described under “—Additional Amounts” below.

### ***Limitations on Distributions***

Distributions on the trust preferred securities will be payable on each distribution payment date unless and to the extent that the partnership has received a “no distribution instruction” or a “partial distribution instruction” from us with respect to a specific distribution payment on the partnership preferred securities or

we have not made payment on our non-cumulative preference shares, each as described under “Description of Partnership Preferred Securities—Distributions on the Partnership Preferred Securities—Limitations on Distributions.” Amounts not paid on the trust preferred securities as a result of such instructions are not “due” or “payable” in accordance with the terms of the trust preferred securities.

#### **Additional Amounts**

The trust will make all payments on the trust preferred securities without deduction or withholding for, or on account of, any and all present and future income, stamp and other taxes, levies, imposts, duties, charges, fees, deductions or withholdings imposed, levied, collected, withheld or assessed by or on behalf of a UK taxing jurisdiction (a “UK taxing jurisdiction”) or a taxing jurisdiction in the United States (a “US taxing jurisdiction”), unless such deduction or withholding is required by law. If at any time a UK taxing jurisdiction or a US taxing jurisdiction (each a “Relevant taxing jurisdiction”) requires the trust to make such deduction or withholding, the trust will pay or procure the payment of such additional amounts that are necessary in order that the net amounts paid to the holders of the trust preferred securities, after the deduction or withholding, shall equal the amounts which would have been payable to holders of the trust preferred securities if the deduction or withholding had not been required; *provided* that such payment shall be subject to the trust’s receipt of distributions on the partnership preferred securities for such purpose; *provided further* that, if any such additional amounts are not paid by the trust, holders of the trust preferred securities shall have a claim therefore pursuant to the terms of the trust securities subordinated guarantee. However, this will not apply to any tax that would not have been payable or due but for the fact that:

- the holder or the beneficial owner of the trust preferred securities is a domiciliary, national or resident of, or engaging in business or maintaining a permanent establishment or physically present in, a Relevant taxing jurisdiction or otherwise having some connection with the Relevant taxing jurisdiction other than the holding or beneficial ownership of trust preferred securities;
- the relevant trust preferred security is presented (where presentation is required) for payment in the Relevant taxing jurisdiction;
- the relevant trust preferred security is presented (where presentation is required) for payment more than 30 days after the date payment became due or was provided for, whichever is later, except to the extent that the holder would have been entitled to the additional amounts on presenting the trust preferred security for payment at the close of that 30 day period;
- the holder or the beneficial owner of the trust preferred securities has failed to provide information concerning the nationality, residency or identity of the holder or the beneficial owner or to make any declaration or other similar claim to satisfy any information requirement, which is required or imposed by a statute, treaty, regulation or administrative practice of a Relevant taxing jurisdiction as a precondition to exemption from all or part of the tax;
- the withholding or deduction is imposed on a payment to or for the benefit of an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council Meeting of November 26-27, 2000 or any law implementing or complying with, or introduced in order to conform to, such directive;
- the relevant trust preferred security is presented (where presentation is required) for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant trust preferred security to another paying agent in a Member State of the European Union; or
- any combination of the above items;

nor shall additional amounts described in this paragraph be paid with respect to payments on the trust preferred securities to any holder who is a fiduciary or partnership or settlor with respect to such fiduciary or a member of such partnership other than the sole beneficial owner of such payment to the extent such payment would be required by the laws of any taxing jurisdiction to be included in the income for tax purposes of a beneficiary or partner or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to such additional amounts, had it been the holder.

Any reference in this Offering Circular relating to the payment of distributions or any payments on, or in respect of, any trust preferred securities, includes the payment of additional amounts to the extent that, in the context, such additional amounts are, were or would be payable.

## **Redemption of Trust Preferred Securities**

The trust preferred securities are perpetual securities and have no maturity date. The trust preferred securities are not redeemable at the option of the holders at any time. In the event that the partnership preferred securities are redeemed as described under “Description of Partnership Preferred Securities—Redemption of Partnership Preferred Securities,” an equal number of trust preferred securities will likewise be redeemed for an amount per trust preferred security equal to the redemption price of the partnership preferred securities.

If the trust preferred securities are redeemed in part, so long as the trust preferred securities are then in the form of one or more global certificates held by a common depositary for Euroclear and Clearstream, Luxembourg, the trust preferred securities will be redeemed pro rata in accordance with the requirements of Euroclear and Clearstream, Luxembourg. If the trust preferred securities are not held in book-entry form, the property trustee will determine the number of trust preferred securities to be redeemed. The property trustee will determine the trust preferred securities to be called by lot or pro rata in its sole equitable discretion. However, the method used by the property trustee must satisfy the applicable requirements (including publication requirements) of any securities exchange or automated quotation system on which the trust preferred securities may then be listed or quoted.

For so long as the trust preferred securities are listed on the Luxembourg Stock Exchange, notice of any redemption will be provided to the Luxembourg Stock Exchange, and as long as the rules of that exchange so require, published in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort* as set out under “—Notices to Holders of Trust Preferred Securities.” If the trust preferred securities are listed on any other stock exchange, notice of any redemption shall be made in accordance with the rules and procedures of such stock exchange. If the trust preferred securities are to be redeemed in part only, the notice of redemption will state the proportion to be redeemed.

If trust preferred securities in book-entry form are redeemed, the registrar will write down the relevant global certificate(s) to reflect the redemption in whole or in part of the trust preferred securities. In the case of trust preferred securities in definitive registered form, a new definitive certificate in a principal amount equal to the unredeemed portion of each trust preferred security will be issued to the relevant holder. This will take place upon delivery of the existing certificate to the registrar or any transfer agent for cancellation. Certificates will be available from the offices of the paying agent or any transfer agent or (at the risk and, if mailed at the request of the relevant holder otherwise than by ordinary uninsured mail, at the expense of that holder) sent by mail to the relevant holder.

Subject to our Articles of Association, the special rights of any of our shares, and the provisions of applicable law, we or any of our subsidiaries may at any time and from time to time, purchase outstanding trust preferred securities in the open market, by tender or by private agreement, in each case upon the terms and conditions that our board of directors or an authorized committee of our board of directors shall determine.

Under existing UK Financial Services Authority requirements, we may not redeem or repurchase any trust preferred securities beneficially for our own account, other than a repurchase in connection with dealing in securities, unless the UK Financial Services Authority consents in advance in writing. The UK Financial Services Authority may impose conditions on any redemption or repurchase.

Any notice of redemption will be irrevocable. If the redemption price in respect of any trust preferred securities is improperly withheld or refused and is not paid by us, distributions on such trust preferred securities will continue to accrue in accordance with their terms until the redemption price is actually paid.

### ***Procedures for the Redemption of Trust Preferred Securities***

Any notice that the trust will redeem trust preferred securities will be irrevocable. By 9:30 a.m., New York City time, on the redemption date, provided that we or the partnership, as applicable, have paid the property trustee cash in the amount required to redeem the partnership preferred securities, the property trustee:

- if the trust preferred securities are in book-entry form, will irrevocably deposit with the paying agent funds sufficient to pay the redemption amount and will give the paying agent irrevocable instructions and authority to pay the redemption amount for the trust preferred securities held through Euroclear and Clearstream, Luxembourg in book-entry form, or

- if the trust preferred securities are not in book-entry form, will irrevocably deposit with a paying agent for the trust preferred securities funds sufficient to pay the redemption price for any trust preferred securities in certificated form and will give the paying agents irrevocable instructions and authority to pay that amount to the holders on surrender of their trust preferred securities.

If notice of an early call or redemption shall have been given and funds deposited as required, then, immediately prior to the close of business on the date of the deposit, all rights of holders of the trust preferred securities called for redemption will cease, except their right to receive the redemption price without interest.

## **Liquidation or Dissolution**

### ***Liquidation Upon a Trust Liquidation Event***

If a trust liquidation event (as defined below) occurs and the trust is unable to reverse such trust liquidation event within 90 days by taking administrative action, or pursuing any reasonable measure that in the sole judgment of the holder of the trust common securities will have no adverse effect on us, the trust, the partnership or the holders of the trust preferred securities, the trust administrator may dissolve the trust. If it does so, after we satisfy creditors of the trust, if any, as required by applicable law, the trust will distribute partnership preferred securities to the holders of the trust preferred securities on a pro rata basis in an aggregate liquidation preference equal to the aggregate liquidation preference of the trust preferred securities. If the trust distributes the partnership preferred securities, the partnership preferred securities will be issued in definitive form only, will not be held through Euroclear or Clearstream, Luxembourg and will be subject to the same provisions as the trust preferred securities with respect to transfer and exchange of definitive securities.

A “trust liquidation event” means the occurrence of either (i) a trust tax event or (ii) an investment company event.

A “trust tax event” means we determine that any of the events described in the bulleted items below has occurred:

- in making any payments on the trust preferred securities, the trust has paid or will or would on the next distribution payment date be required to pay additional amounts on such securities; or
- the trust has been, is or will be subject to tax in the United States or the United Kingdom.

In the case of liquidation upon the occurrence of a trust tax event, we shall be required, before we give a notice of liquidation, to deliver to the trust administrator a written legal opinion of independent US or UK counsel of nationally recognized standing, as applicable, selected by us, in a form satisfactory to the trust administrator confirming that we are entitled to exercise our liquidation right.

An “investment company event” means that we shall have requested and received an opinion of a nationally recognized US law firm experienced in such matters to the effect that there is more than an insubstantial risk that the trust is or will be required to register as an “investment company” within the meaning of the US Investment Company Act of 1940 or any successor legislation, as a result of:

- any judicial decision, any pronouncement or interpretation (irrespective of the manner made known), or change in practice, the adoption or amendment of any law, rule or regulation, any notice or announcement (including any notice or announcement of intent to adopt such rule or regulation) after the date of issuance of the trust preferred securities by any US legislative body, court, governmental agency or regulatory authority, or
- any change after the date of issuance of the trust preferred securities in the laws of the United Kingdom relating to the enforceability of either of the subordinated guarantees thereunder, as confirmed in an opinion of a nationally recognized English law firm experienced in such matters.

A trust liquidation event, absent a simultaneous partnership special redemption event or partnership liquidation event, will not result in either the liquidation of the partnership or the redemption of any partnership preferred securities.

### ***Liquidation of Trust Upon Substitution of Trust Preferred Securities for Non-Cumulative Dollar Preference Shares***

If at any time—

- the partnership is liquidated, dissolved, wound up or terminated (where no order has been made or effective resolution passed for our winding up);
- the UK Financial Services Authority requires us to effect a substitution because the capital adequacy requirements of the UK Financial Services Authority then applicable to us and/or any of our subsidiaries are not or would not be met, or
- following the occurrence of a partnership special redemption event, we elect in our discretion to effect such substitution (each, “a substitution event”),

we will undertake, pursuant to the subordinated guarantees, to use reasonable efforts to—

- effect the substitution of the trust preferred securities for non-cumulative dollar preference shares which we will issue and which will have equivalent liquidation preference and which will bear dividends at the distribution rate applicable to the partnership preferred securities and will have the rights and preferences described in this Offering Circular; *provided, however*, that no additional amounts will be payable with respect to withholding taxes, if any, imposed on the non-cumulative dollar preference shares; and
- obtain admission of the non-cumulative dollar preference shares to the Official List of the UK Listing Authority and to trading on the London Stock Exchange or a similar recognized exchange; and
- file a Form 3 application in respect of the non-cumulative dollar preference shares with the Monetary Authority of Singapore.

We will also undertake to pay any stamp duty, stamp duty reserve tax and other duties imposed in connection with the allotment and issuance of the non-cumulative dollar preference shares and their delivery to the common depositary for Euroclear and Clearstream, Luxembourg. See “US Federal and UK Tax Consequences” for further details.

To effect the substitution of the trust preferred securities for non-cumulative dollar preference shares pursuant to the subordinated guarantees, we will take, or procure the taking of, such actions as shall be necessary to (i) exchange the subordinated notes, or the eligible investments as the case may be, for non-cumulative dollar preference shares, (ii) dissolve the partnership (such dissolution to occur at the time the non-cumulative dollar preference shares are distributed to the trust), and (iii) dissolve the trust (such dissolution to occur at the time the non-cumulative dollar preference shares are distributed to the holders of the trust preferred securities); *provided* that, upon the occurrence of a substitution event, we may select any other method to cause the non-cumulative dollar preference shares to be received by the holders of the trust preferred securities so long as such method does not result in a materially adverse outcome for such holders relative to the transaction described in this sentence. Non-cumulative dollar preference shares will be distributed to the holders of the trust preferred securities on a pro rata basis in an aggregate liquidation preference equal to the aggregate liquidation preference of the trust preferred securities.

The non-cumulative dollar preference shares will be represented by a single global certificate. The global certificate will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Beneficial interests in the global certificate will be evidenced by, and transfers thereof will be effected only through, records maintained by the participants in Euroclear and Clearstream, Luxembourg. Beneficial interests in the global certificate will be transferable only in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg, as the case may be.

Payments on the non-cumulative dollar preference shares will not be guaranteed by us or any other person.

### ***Dissolution of the Trust***

Under the terms of the declaration of trust, the trust will also dissolve:

- upon our winding up, bankruptcy, insolvency or dissolution,
- upon the dissolution of the partnership,

- upon the entry of a decree of judicial dissolution of the trust,
- when all the trust preferred securities have been called for redemption and amounts necessary for their redemption have been paid to the holders in accordance with the terms of the trust preferred securities,
- upon the election of the trust administrator, following the occurrence and continuation of a trust liquidation event,
- following the occurrence of a substitution event and the distribution of non-cumulative dollar preference shares to the holders of the trust preferred securities, or
- with the consent of a majority in liquidation amount of the trust securities whose consent must be sought together as a single class by the trust.

In the event of any voluntary or involuntary dissolution of the trust, after the trust has satisfied liabilities to any creditors, holders of the trust preferred securities will be entitled to receive:

- an amount equal to the aggregate liquidation preference of the trust preferred securities, plus an amount equal to any unpaid distributions payable in accordance with the terms of the trust preferred securities (without interest) and any accrued distributions for the then-current distribution period accrued at the stated rate on a daily basis (or, if such rate has not yet been established, the rate for the next preceding period), through the date of payment, which we refer to as the “liquidation distribution,” except that the entitlement of holders to receive the liquidation distribution in full shall be subject to the same limitations as those which apply in respect of the partnership preferred securities if we are being wound up (see “Description of Partnership Preferred Securities—Liquidation of Partnership—Rights Upon Liquidation” below),
- upon a trust liquidation event, partnership preferred securities in an aggregate liquidation preference equal to the aggregate liquidation preference of the trust preferred securities to be redeemed in connection with the trust liquidation event (see “—Liquidation Upon a Trust Liquidation Event” above), or
- upon a substitution event, non-cumulative dollar preference shares in an aggregate liquidation preference equal to the aggregate liquidation preference of the trust preferred securities to be exchanged in connection with the substitution (see “—Liquidation of Trust Upon Substitution of Trust Preferred Securities for Non-Cumulative Dollar Preference Shares” above).

Upon any liquidation, if the liquidation distribution can be paid only in part because the trust has insufficient assets available to pay the aggregate liquidation distribution in full, then the amount payable by the trust on the trust preferred securities shall be paid on a pro rata basis. Any such insufficiency will be payable by us only to the extent provided in the trust securities subordinated guarantee.

An investment in the trust preferred securities is intended to provide holders with rights to distributions and liquidation preference as nearly as possible equivalent to those to which they would have been entitled if they had purchased non-cumulative preference shares issued directly by us with economic terms equivalent to the trust preferred securities and the subordinated guarantees, taken together.

### **Rights and Remedies of Holders of Trust Preferred Securities**

Upon non-payment when due and payable under the trust preferred securities or the trust securities subordinated guarantee,

- the holders of the trust preferred securities will have the right to take remedial action upon any failure by the trust to make any distribution payment when due and payable, subject to any applicable grace periods set forth in the declaration of trust, that has occurred and is continuing;
- the property trustee, as the holder of the partnership preferred securities for the benefit of the trust and the holders of the trust preferred securities and trust common securities, will have the right to enforce the terms of the partnership preferred securities, including the rights of the holders of the partnership preferred securities to receive distributions; and
- the guarantee trustee will have the right to enforce the terms of the trust securities subordinated guarantee.

Should the partnership fail to make any payment when due, holders of trust preferred securities may rely on the enforcement by the property trustee of the trust's rights as a holder of the partnership preferred securities or by the guarantee trustee pursuant to the subordinated guarantees. The holders of a majority in liquidation preference of the trust preferred securities will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the property trustee or the guarantee trustee or to direct the exercise of any trust or power conferred upon the property trustee or the guarantee trustee under the declaration of trust or the partnership preferred securities guarantee, including the right to direct the property trustee or the guarantee trustee to exercise the remedies available to it.

If the property trustee or the guarantee trustee fails to enforce its rights under the partnership preferred securities or the subordinated guarantees after a holder of trust preferred securities has made written request, such holder of trust preferred securities may, to the extent permitted by applicable law, institute a legal proceeding directly against the partnership or us (in respect of the subordinated guarantees) to enforce the property trustee's or the guarantee trustee's rights under the partnership preferred securities or the subordinated guarantees without first instituting any legal proceeding against the property trustee, the guarantee trustee or any other person or entity.

Pursuant to the declaration of trust, the holder of the trust common securities will be deemed to have waived its rights to take action under the declaration of trust or the trust securities subordinated guarantee upon failure to make any payment on the trust common securities when due and payable until all non-payments with respect to the trust preferred securities have been cured, waived or otherwise eliminated. Until such non-payments with respect to the trust preferred securities have been so cured, waived or otherwise eliminated, the property trustee and the guarantee trustee will be deemed to be acting solely on behalf of the holders of the trust preferred securities, and only the holders of the trust preferred securities will have the right to direct the property trustee or the guarantee trustee with respect to certain matters under the declaration of trust or the trust securities subordinated guarantee.

In no event shall the right to take remedial action described above result in any holder of trust preferred securities receiving, or receiving sooner, any amount which it would not have received had it been a holder of non-cumulative preference shares directly issued by us with economic terms equivalent to the trust preferred securities and the subordinated guarantees, taken together.

The property trustee will not have the right to enforce, and the holders of the trust preferred securities will not have the right to hold, the subordinated notes or other eligible investments held by the partnership.

### **Voting Rights of the Trust Preferred Securities**

Except as described herein, under the Delaware Statutory Trust Act, the US Trust Indenture Act (which is deemed to apply), and under “—Amendments” and “Description of Subordinated Guarantees—Amendments” and as otherwise required by law and the declaration of trust, the holders of the trust preferred securities will have no voting rights.

The holders of a majority of the outstanding trust preferred securities will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the property trustee, or, subject to the requirement of the property trustee obtaining a tax opinion as set forth in the last sentence of this paragraph, direct the exercise of any trust or power conferred upon the property trustee under the declaration of trust, including the right to direct the property trustee, as holder of the partnership preferred securities, to exercise the remedies available to it under the partnership agreement as a holder of the partnership preferred securities, and consent to any amendment, modifications or termination of the partnership agreement or the partnership preferred securities where such consent shall be required; *provided, however*, that, if a consent or action under the partnership agreement requires the consent or act of the holders of more than a majority of the partnership preferred securities affected thereby, only the holders of the percentage of the aggregate liquidation preference of the trust preferred securities outstanding which is at least equal to the percentage of the partnership preferred securities required under the partnership agreement may direct the property trustee to give such consent or take such action on behalf of the trust. See “Description of Partnership Preferred Securities—Amendments.” Except with respect to directing the time, method and place of conducting a proceeding for a remedy as described above, the property trustee shall be under no obligation to take any of the actions described above unless the property trustee has been provided with an opinion of independent tax counsel to the effect that as a result of such action, the trust will not fail to be classified as a grantor trust for United States federal income tax purposes and that after such action each holder of trust securities will continue to be treated as owning an undivided beneficial interest in the partnership preferred securities.

Any required approval or direction of holders of trust preferred securities may be given at a separate meeting of holders convened for the purpose, at a meeting of all of the holders of trust securities or by written consent. The trust administrator will cause a notice of any meeting at which holders of trust preferred securities are entitled to vote to be mailed to each holder of record of trust preferred securities. For so long as the trust preferred securities are listed on the Luxembourg Stock Exchange, notice of any meeting at which holders of trust preferred securities are entitled to vote will be provided to the Luxembourg Stock Exchange and, for so long as the rules of that exchange so require, published in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). If the trust preferred securities are listed on any other stock exchange, notice of any meeting will be made in accordance with the rules and procedures of such stock exchange. Each such notice will include a statement setting forth the following information:

- the date of such meeting;
- a description of any resolution proposed for adoption at such meeting on which such holders are entitled to vote; and
- instructions for the delivery of proxies.

No vote or consent of the holders of trust preferred securities will be required for the trust to redeem and cancel trust preferred securities and distribute partnership preferred securities in accordance with the declaration of trust.

Notwithstanding that holders of trust preferred securities are entitled to vote or consent under any of the circumstances described above, any of the trust preferred securities that are beneficially owned at such time by us or any of our subsidiaries shall not be entitled to vote or consent and shall, for purposes of such vote or consent, be treated as if such trust preferred securities were not outstanding; *provided, however*, that persons (other than any of our subsidiaries) to whom we or any of our subsidiaries have pledged trust preferred securities may vote or consent with respect to such pledged trust preferred securities pursuant to the terms of such pledge.

The procedures by which holders of trust preferred securities represented by the global certificates may exercise their voting rights are described below under “—Book-entry, Delivery and Form.”

Unless payments on the trust preferred securities have not been made when due and payable, holders of the trust preferred securities will have no rights to appoint or remove the trust administrator or any of the trustees, who may be appointed, removed or replaced solely by the holder of all of the trust common securities.

## **Amendments**

### ***Amendments Without Consent of Holders of Trust Preferred Securities***

The declaration of trust may be amended by the trust administrator without the consent of the holders of the trust preferred securities:

- to cure any ambiguity;
- to correct or supplement any provisions in the declaration of trust that may be defective or inconsistent with any other provision in the declaration of trust;
- to add to the covenants, restrictions or obligations of the holder of the trust common securities or us;
- to conform to any change in the US Investment Company Act of 1940 or change in interpretation or application of the rules or regulations promulgated thereunder;
- to conform to any change in the US Trust Indenture Act of 1939 or the rules or regulations promulgated thereunder (which is deemed to apply);
- to modify, eliminate or add to any provisions as necessary to the declaration of trust to ensure that the trust will be classified for US federal income tax purposes as a grantor trust at all times that any trust preferred securities are outstanding or to ensure that the trust will not be required to

register as an “investment company” within the meaning of the US Investment Company Act of 1940; or

- to modify, eliminate and add to any provision of a declaration of trust to such extent as may be necessary or desirable;

so long as no such amendment will have a material adverse effect on the rights, preferences or privileges of the holders of the trust preferred securities.

#### ***Amendments with Consent of Holders of Trust Securities***

Without the consent of each holder of the trust preferred securities and the trust common securities, the declaration of trust may not be amended to:

- change the amount or timing of any distribution payable on the trust preferred securities or the trust common securities or otherwise adversely affect the amount of any distribution required to be made on the trust preferred securities or the trust common securities;
- change the redemption amount;
- restrict the right of a holder of trust preferred securities to institute suit for the enforcement of any payment owed on the trust preferred securities; or
- change the voting requirements and other provisions relating to amendments.

Without the consent of holders of 75% in liquidation preference amount of outstanding trust preferred securities and trust common securities voting as a single class, the declaration of trust may not be amended to:

- materially adversely affect the powers, preferences or special rights of the trust preferred securities or the trust common securities; or
- result in the dissolution, winding up or termination of the trust other than pursuant to the terms of the declaration of trust;

*provided* that, if any amendment or proposal referred to in the first bullet point above would adversely affect only the trust preferred securities or the trust common securities, then only the affected class will be entitled to vote on such amendment or proposal.

#### ***Amendments with Consent of the Holder of Trust Common Securities***

Without the consent of the holder of the trust common securities, the declaration of trust may not be amended to change the rights of the holders of the trust common securities to increase or decrease the number of, or, appoint and remove, trustees.

#### ***Provisions That May Not Be Amended***

Under no circumstances may the declaration of trust be amended:

- to cause the trust to be classified other than as a grantor trust for US federal income tax purposes;
- to cause the trust not to be treated as transparent for UK tax purposes;
- to reduce or otherwise adversely affect the powers of the property trustee from those stated in the US Trust Indenture Act of 1939 (which is deemed to apply); or
- to cause the trust to be required to register as an “investment company” within the meaning of the US Investment Company Act of 1940.

#### **Repurchase at Our Option**

Investors in the trust preferred securities will be deemed to have represented that they do not own directly or indirectly, 10% or more of our ordinary shares. If at any time a holder of trust preferred securities or partnership preferred securities owns 10% or more of our ordinary shares, we will have the right to repurchase, or cause a repurchase of, such investor’s trust preferred securities or partnership preferred securities, as applicable.

## **Book-entry, Delivery and Form**

The Trust Preferred Securities will be evidenced by one or more global certificates (each a “global certificate”) which will be deposited with the common depositary, and registered in the name of a nominee, for Euroclear and Clearstream, Luxembourg. Euroclear or Clearstream, Luxembourg, as the case may be, will credit the account of each manager with the amount of trust preferred securities being purchased by it. Except in certain limited circumstances, the trust preferred securities will not be issued in definitive form. Beneficial ownership in the trust preferred securities can only be held in the form of book-entry interests through direct or indirect participants in Euroclear or Clearstream, Luxembourg. Each person having an ownership or other interest in a trust preferred security must rely exclusively on the rules or procedures of Euroclear and Clearstream, Luxembourg, as applicable, and any agreement with any direct or indirect participant of Euroclear or Clearstream, Luxembourg, as the case may be, or any other securities intermediary through which that person holds its interest to effect any transfer or to receive or direct the delivery of possession of any definitive security.

### ***Transfers and Issue of Definitive Trust Preferred Certificates***

Definitive trust preferred securities may be transferred upon the surrender of the definitive trust preferred certificates evidencing such securities, together with the form of transfer endorsed thereon duly completed and executed, at the specified office of the registrar and transfer agent and/or at the offices of the paying and transfer agent in Luxembourg. In the case of a transfer of part only of the definitive trust preferred securities evidenced by a definitive trust preferred certificate, a new definitive trust preferred certificate in respect of the balance not transferred will be issued to the transferor within three business days of receipt of such form of transfer, by uninsured post at the risk of the holder to the address specified in such form of transfer. Each new definitive trust preferred certificate to be issued to the transferee upon a transfer of a definitive trust preferred security will, within three business days of receipt of such form of transfer, be sent by uninsured post at the risk of the holder entitled to the definitive trust preferred certificate to such address as may be specified in such form of transfer.

Registration of transfer of definitive trust preferred securities will be effected without charge by or on behalf of the trust or the registrar, paying and transfer agent, but upon payment (or the giving of such indemnity as the registrar and transfer agent may require) in respect of any tax or other governmental charges which may be imposed in relation to it.

No holder of a definitive trust preferred certificate may require the transfer of a trust preferred security to be registered during the period of 15 days ending on the due date for any payment of the redemption price of the trust preferred securities.

All transfers of definitive trust preferred securities and entries on the register will be made subject to the provisions in an agency agreement relating to the trust preferred securities. The regulations may be changed by the trust with the prior written approval of the property trustee.

### ***Payments and Paying Agents***

Payments in respect of the trust preferred securities shall be made to the address of the holder entitled thereto as such address shall appear on the securities register of the trust. The common depositary or its nominee shall be the registered holder in the case of trust preferred securities evidenced by a global certificate. Payments made to the common depositary or its nominee shall be made by wire transfer, and Euroclear or Clearstream, Luxembourg, as applicable, will credit the relevant accounts of their participants on the applicable payment dates or redemption dates. Payments in respect of trust preferred securities not evidenced by a global certificate shall be made by wire transfer, direct deposit or check mailed to the address of the holder entitled thereto as such address shall appear on the register. The property trustee will act as registrar and transfer agent for the trust. The property trustee will designate a principal paying agent for the trust and may designate an additional or substitute paying agent at any time. The principal paying agent shall initially be The Bank of New York, London Branch. The paying agent shall be permitted to resign as paying agent upon 30 days' written notice to the trustee and the partnership. In the event that The Bank of New York, London Branch shall no longer be the paying agent, the partnership shall appoint a successor (which shall be a bank or trust company acceptable to the trustee) to act as paying agent. In addition, for so long as the trust preferred securities are listed on the Luxembourg Stock Exchange, and the rules of the Luxembourg Stock Exchange so require, the trust will maintain a paying and a transfer agent in Luxembourg which will make payments on the trust preferred securities, and effect transfers thereof, in the circumstances set out in this Offering Circular. Furthermore, if any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 or any law implementing or

complying with, or introduced in order to conform to such directive is introduced, the trust will ensure that it maintains a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to any such directive or law.

### ***Registrar and Transfer Agent***

The Bank of New York will act as registrar and transfer agent for the trust preferred securities.

Registration of transfers of trust preferred securities will be effected without charge by or on behalf of the trust, but upon payment of any tax or other governmental charges that may be imposed in connection with any transfer or exchange. The trust will not be required to register or cause to be registered the transfer of trust preferred securities after such trust preferred securities have been called for redemption.

### ***Issuance of Definitive Certificates***

So long as a common depositary for Euroclear and Clearstream, Luxembourg holds the global securities of the trust preferred securities, the global securities will not be exchangeable for definitive trust preferred securities unless:

- Euroclear or Clearstream, Luxembourg notifies the property trustee that it is unwilling or unable to continue to act as depositary for the trust preferred securities and a successor depositary is not appointed within 120 days;
- either or both of Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business;
- the non-payment when due of amounts payable on the trust preferred securities (whether, in each case, on account of dividends, redemption amounts, liquidation preference amounts or otherwise) shall have occurred and be continuing for 30 days; or
- at any time we determine in our sole discretion that the global securities of the trust preferred securities should be exchanged for definitive trust preferred securities in registered form.

Definitive trust preferred securities will be issued in registered form only. To the extent permitted by law, we, the trust, the property trustee and any paying agent shall be entitled to treat the person in whose name any definitive security is registered as its absolute owner.

If the trust issues definitive trust preferred securities in exchange for a global trust preferred security, the depositary, as holder of that global trust preferred security, will surrender it against receipt of the definitive trust preferred securities, cancel the book-entry trust preferred securities, and distribute the definitive trust preferred securities to the persons and in the amounts that the depositary specifies.

### ***Issuance of Trust Common Securities***

In connection with the issuance of trust preferred securities, the trust will issue trust common securities to the partnership. Except as described below under the captions “—Subordination,” “—Holders of Trust Common Securities,” and “—Remedies of the Holder of Trust Common Securities,” the terms of the trust common securities issued by the trust will be substantially identical to the terms of the trust preferred securities. These terms will be defined in the declaration of trust.

#### ***Subordination***

Payment of distributions, amounts on redemption and amounts upon liquidation of the trust shall be made pro rata based on the liquidation preference of the trust securities; *provided, however*, that upon the occurrence and during the continuance of any failure to receive amounts due under the partnership preferred securities, holders of the trust preferred securities will have a preference over the holder of the trust common securities with respect to payments of distributions, amounts upon redemption and amounts upon liquidation of the trust.

#### ***Holder of Trust Common Securities***

Except in limited circumstances, as described in the declaration of trust, the holder of the common securities of the trust will have sole power to appoint, remove or replace any of the trustees of the trust. We will, directly or indirectly, own all of the common securities of the trust.

### ***Remedies of the Holder of Trust Common Securities***

Pursuant to the declaration of trust, the holder of the trust common securities will be deemed to have waived its rights to take action under the declaration of trust or the trust securities subordinated guarantee upon failure to make any payment on the trust common securities when due and payable until all non-payments with respect to the trust preferred securities have been cured, waived or otherwise eliminated. Until such non-payments with respect to the trust preferred securities have been so cured, waived or otherwise eliminated, the property trustee and the guarantee trustee will be deemed to be acting solely on behalf of the holders of the trust preferred securities and only the holders of the trust preferred securities will have the right to direct the property trustee or the guarantee trustee with respect to certain matters under the declaration of trust or the trust securities subordinated guarantee.

### **Merger, Consolidation and Sale of Assets**

The trust may not consolidate, merge with or into, or sell or lease all or substantially all of its properties and assets to any corporation or other entity except as described below or as described above under “—Liquidation or Dissolution.” The trust may, with the consent of the holder of the trust common securities and without the consent of the holders of trust preferred securities, the Delaware trustee or the property trustee, consolidate, merge with or into, or be replaced by a trust organized under the laws of any state of the United States, so long as all of the following conditions are satisfied:

- if the trust is not the surviving entity, the successor entity assumes all of the obligations of the trust regarding the trust preferred securities, or substitutes for the trust preferred securities other securities with substantially the same terms and other provisions as the trust preferred securities (which we refer to as “substituted trust securities”);
- the partnership acknowledges a trustee of the successor entity that has the same powers and duties as the property trustee as the record holder of the partnership preferred securities;
- any substituted trust securities, upon issuance, are listed on the same or an equivalent securities exchange on which the trust preferred securities were listed;
- the transaction does not cause the trust preferred securities or the substituted trust securities to be downgraded by a nationally-recognized ratings organization;
- the transaction does not adversely affect the rights, preferences or privileges of the holders of the trust preferred securities or any substituted trust securities in any material respect;
- the successor entity has a purpose substantially identical to that of the trust;
- following the transaction, such trust would not be required to register as an “investment company” within the meaning of the US Investment Company Act of 1940;
- the partnership or an eligible member of our Group will own, directly or indirectly, all of the trust common securities, and we will guarantee the trust preferred securities, or the substituted trust securities, at least to the extent provided by the trust preferred securities subordinated guarantee;
- such trust would be classified as a grantor trust for US federal income tax purposes; and
- such trust would be regarded as transparent for UK tax purposes.

For so long as the trust preferred securities are listed on the Luxembourg Stock Exchange, notice of any such merger will be provided to the Luxembourg Stock Exchange and, for so long as the rules of that exchange so require, published in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*).

### **Payment of Fees and Expenses of the Trust**

All fees and expenses of the trust, including the fees and expenses of the trustees and the trust administrator in connection with the performance of their duties under the declaration of trust, will be paid by us. However, if the trustees or the trust administrator incur fees, charges or expenses, for which they are not otherwise liable under the declaration of trust, in connection with the request of a holder of trust preferred securities or other person, the holder or other person will be liable for these fees, charges and expenses. We will also pay all fees and expenses related to the offering and the organization and operations of the trust, including, to the extent specified in the trust securities guarantee, any taxes, duties, assessments or

governmental charges imposed by the United States or the United Kingdom, or any other taxing authority in these jurisdictions.

### **Transfer of Trust Preferred Securities**

The property trustee will keep a security register to provide for the transfer and registration of transfer of trust preferred securities. The following provisions apply to the transfer of trust preferred securities which are not issued in book-entry form:

- Holders of any issue of trust preferred securities may exchange their trust preferred securities for an equal liquidation preference amount of other trust preferred securities of different authorized denominations of the same issue and with the same terms.
- No service charge will be made for any registration of transfer or exchange of trust preferred securities, but the trust may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of trust preferred securities.
- If the trust preferred securities are to be redeemed in whole or in part, the trust will not be required:
  - to issue, register the transfer of or exchange any trust preferred securities during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of any such securities selected for redemption and ending at the close of business on the day of such mailing; or
  - to register the transfer or exchange of any trust preferred security so selected for redemption in whole or in part, except the unredeemed portion of any such security being redeemed in part.

### **Meetings of the Holders of Trust Securities**

#### ***Meetings***

The trust administrator may call a meeting of the holders of the trust securities on any matter on which the holders of the trust securities are entitled to act under the declaration of trust. In addition, the holders of at least 10% in liquidation preference of trust securities may direct the regular trustees to call such a meeting. The regular trustees are required to give notice of any such meeting at least seven days but not more than 60 days before the date of that meeting. The regular trustees, in their sole discretion, will establish all other provisions relating to meetings of holders of trust securities not stated below.

#### ***Action by Written Consent***

Whenever a vote, consent or approval of the holders of trust securities is permitted or required, that vote, consent or approval may be given at the meeting. Any action that may be taken at a meeting of these holders may be taken without a meeting and without prior notice if a consent in writing setting forth the action so taken is signed by the holders owning not less than the minimum amount of trust securities in liquidation amount that would be necessary to authorize or take such action at the meeting itself.

#### ***Proxies***

Each holder of a trust security may authorize any person to act for it by proxy on all matters but proxies will not be valid after the expiration of 11 months from the date thereof unless otherwise provided in the proxy. Every proxy will be revocable at the request of the holder of trust preferred securities executing the proxy. All matters relating to the giving, voting or validity of proxies will be governed by the General Corporation Law of the State of Delaware relating to proxies, and judicial interpretations thereunder, as if the trust were a Delaware corporation and the holders of the trust securities were stockholders of a Delaware corporation.

### **Information Concerning the Property Trustee**

The Bank of New York will act as the property trustee under the declaration of trust and guarantee trustee under the subordinated guarantees. As property trustee, The Bank of New York shall have all the duties and responsibilities specified in the US Trust Indenture Act of 1939, which is deemed to apply. Subject to the provisions of the Trust Indenture Act and the declaration of trust, The Bank of New York, as property

trustee is under no obligation to exercise any of the powers vested in it by the declaration of trust at the request of any holder of trust preferred securities, unless offered reasonable indemnity by the holder against the costs, expense and liabilities which might be incurred thereby.

We and certain of our subsidiaries maintain deposit accounts and conduct other banking transactions with The Bank of New York in the ordinary course of our business. The Bank of New York is also the book-entry depositary with respect to certain of our debt securities, the depositary with respect to the American Depositary Shares representing certain of our preference shares and trustee with respect to certain of our debt and exchangeable capital securities.

### **Governing Law**

The declaration of trust and the related trust securities will be governed by and construed in accordance with the laws of the State of Delaware.

### **Notices to Holders of Trust Preferred Securities**

For so long as the trust preferred securities are listed on the Luxembourg Stock Exchange, and the rules of the Luxembourg Stock Exchange so require, notices to holders will be published in a notice in a newspaper of general circulation in Luxembourg (expected to be the *Luxemburger Wort*). In addition, all notices will be mailed, by first class mail, postage prepaid, to holders of the trust preferred securities at their registered address, as recorded in the register of the trust. All notices will be deemed to have been given when mailed or initially published, as the case may be.

## DESCRIPTION OF PARTNERSHIP PREFERRED SECURITIES

*The following description of the terms and provisions of the partnership preferred securities summarizes the terms of the partnership preferred securities. We refer you to the amended and restated agreement of limited partnership under which the partnership preferred securities are issued. A copy of the form of amended and restated agreement of limited partnership is available for inspection without charge at the offices of any paying agent.*

### **The Partnership**

The partnership preferred securities will be issued by RBS Capital LP B, a Delaware limited partnership, which consists of a general partner, RBSG Capital Corporation, and two types of limited partners: the limited partners whose interests are represented by the partnership preferred securities and the priority limited partner, initially RBS plc. Immediately after the sale of the trust preferred securities and the trust common securities, the trust will purchase the partnership preferred securities from the partnership. RBSG Capital Corporation will manage the partnership and make an initial capital contribution to the partnership. The limited partners will have no right to vote or otherwise manage the affairs of the partnership, except as described herein. As long as the partnership preferred securities remain outstanding, the priority limited partnership interest will be held by a member of the Group. The partnership is our indirect subsidiary.

### **General**

The sole purpose of the partnership is to invest in and hold subordinated notes issued by us and/or other eligible investments issued by a member of the Group and to make payments on its limited partnership interests. The partnership agreement prohibits the partnership from incurring any indebtedness for borrowed money or issuing any type of security other than the partnership preferred securities, general partnership interest and priority limited partnership interest.

If the partnership is dissolved, liquidated, terminated or wound up, whether voluntarily or involuntarily, then after all debts and liabilities of the partnership have been paid and the full preferential amounts to which the holders of the partnership preferred securities are entitled have been paid or set aside for those holders, any remaining assets of the partnership will be distributed to the priority limited partner.

When issued by the partnership, the partnership preferred securities will be validly issued, fully paid and non-assessable. The partnership preferred securities will initially be issued in an aggregate liquidation preference of \$750,000,000. The partnership may, without the consent of the holders of the partnership preferred securities, issue additional partnership preferred securities and purchase additional subordinated notes from us and/or other eligible investments with the proceeds of any such issue. Any such additional partnership preferred securities will have the same terms and provisions as the partnership preferred securities offered hereby, and will constitute a further issuance of the series of partnership preferred securities offered hereby. There is no limitation on the amount of partnership preferred securities the partnership may issue under the terms of the partnership agreement, and holders of the partnership preferred securities will have no pre-emptive or similar rights. The partnership preferred securities will not be subject to any sinking fund or other obligation of the partnership for their repurchase or retirement. The partnership preferred securities will not be convertible into any other securities issued by the partnership.

### **Form of Partnership Preferred Securities**

The partnership preferred securities will be issued in fully registered definitive form only, with a liquidation preference of \$1,000 per partnership preferred security.

### **Investment of the Partnership in Subordinated Notes**

The partnership will initially invest in subordinated notes and upon the redemption or maturity of the subordinated notes, the partnership will invest in other eligible investments as described under “Description of Subordinated Notes.”

### **General Partnership Interest and Priority Limited Partnership Interest**

The limited partnership interests represented by the partnership preferred securities will rank senior to the general partnership interest with respect to the payment of distributions and upon the liquidation, dissolution, termination or winding up of the partnership. The priority limited partnership interest will have the same distribution payment dates as the partnership preferred securities and will entitle the priority limited partner to distributions on any distribution payment date in an amount equal to the funds available to the partnership (whether received as interest on the subordinated notes or otherwise) less distributions, if any, required to be paid on that distribution payment date on the partnership preferred securities in accordance

with their terms (after giving effect to the limitations on distributions described in “—Limitations on Distributions”). The priority limited partnership interest will rank senior to the partnership preferred securities with respect to distributions in the event of certain limitations on the payment of distributions on the partnership preferred securities. See “Distributions on the Partnership Preferred Securities—Limitations on Distributions” below.<sup>1</sup>

### **Distributions on the Partnership Preferred Securities**

Subject to the limitations on distributions described below, the partnership will make distributions on the partnership preferred securities quarterly in arrears on March 31, June 30, September 30 and December 31 of each year. The first distribution period for the partnership preferred securities will commence on the date of original issuance of the partnership preferred securities and end on March 31, 2003 and distributions payable for the first distribution period will accrue from (and including) the date of original issuance to (but excluding) March 31, 2003 and be payable on March 31, 2003. All subsequent distribution periods will begin on a relevant distribution payment date and end on the day that precedes the next succeeding distribution payment date.

The distribution rate for the partnership preferred securities will be fixed at a rate of 6.80% per annum of the liquidation preference. Distributions on the partnership preferred securities will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each. The rights to distributions will be non-cumulative.

As long as the partnership preferred securities are held by the trust and the trust preferred securities remain in book-entry form, the partnership will pay distributions to the holders of the partnership preferred securities who are listed in the partnership’s records on the business day before the relevant distribution payment date. If the trust preferred securities are not in book-entry form, the partnership will make distributions to the holders of the partnership preferred securities who are listed in the partnership’s records on the fifteenth day of the month of the relevant distribution payment date.

If any distributions would be payable on the partnership preferred securities on a day that is not a business day, those distributions will instead be paid on the immediately preceding business day (with no reduction in interest or other amounts as a result of any such early payment).

Except as described in this subsection, holders of the partnership preferred securities will have no right to participate in the profits of the partnership.

The partnership’s obligation to pay any additional amounts on the payments on the partnership preferred securities is described under “—Additional Amounts” below.

### ***Limitations on Distributions***

The partnership will not make payment of distributions on the partnership preferred securities (and corresponding payments will not be made on the trust preferred securities) on any distribution payment date if it has received a “no distribution instruction” from us (a copy of which shall be provided to the property trustee of the trust). The partnership will make a partial distribution on the partnership preferred securities (and corresponding partial payments will be made on the trust preferred securities) on any distribution payment date if it has received a “partial distribution instruction” from us (a copy of which shall be provided to the property trustee). A “no distribution instruction” or a “partial distribution instruction” may only be given in the circumstances set out below:

- a “no distribution instruction” will be given if, in the opinion of our board of directors or a committee thereof, the payment of the distribution on that distribution payment date would (or would if the partnership preferred securities were a class of our non-cumulative preference shares) breach or cause a breach of the capital adequacy requirements of the UK Financial Services Authority applicable to us and/or any of our subsidiaries; or
- if, in the opinion of our board of directors or a committee thereof, our distributable profits, prior to the payment of interest on the subordinated notes (or any other eligible investments held at such time by the partnership) and after the payment in full, or the setting aside of a sum to provide for the payment in full, of all dividends stated to be payable on that distribution payment date on any of our cumulative preference shares (and any arrears of dividends thereon), would not (or would not if the partnership preferred securities were a class of our non-cumulative preference

shares) be sufficient to enable us to pay (or set aside for future payment) in full all dividends or other distributions on that date:

- on the partnership preferred securities; and
- on our non-cumulative preference shares or on any other shares and securities issued by us (or any of our subsidiaries with a guarantee by us ranking equally as to payments with our non-cumulative preference shares) stated to be payable on the same date as the distributions on the partnership preferred securities and ranking or expressed to rank equally as to payments with our non-cumulative preference shares,

then, subject to the first bullet point above, a “partial distribution instruction” shall be given and the partnership will make a partial distribution on the partnership preferred securities to the extent of available distributable profits with the intent that the amount of distributions, dividends or other payments made on each partnership preferred security and on each such equally ranking share or other security on such date will in all cases bear to each other the same ratio as the distributions, dividends or other payments accrued on each such class of share or security bear to each other; *provided* that, if in the opinion of our board of directors or a committee thereof, there are no distributable profits, a “no distribution instruction” shall be given.

The UK Companies Act 1985 defines “distributable profits” as, in general terms, and subject to adjustment, accumulated realized profits less accumulated realized losses.

In the event that on a scheduled distribution date the partnership is prohibited from making, or is limited in its ability to make, a distribution to the holders of the partnership preferred securities pursuant to a “no distribution instruction” or a “partial distribution instruction,” the partnership will, after making any partial distribution permitted on the partnership preferred securities, make a distribution of available funds to the priority limited partner.

In addition, under the Delaware Revised Uniform Limited Partnership Act, the partnership may pay distributions only out of legally available funds. As a result, as a general matter of Delaware law the partnership would not be permitted to pay a distribution if, after paying the distribution, the partnership’s liabilities to parties other than the holders of the partnership preferred securities would exceed the fair value of its assets.

If we have not declared and paid in full, or have not set aside an amount to provide for the payment in full of, the payment stated to be payable on the most recent distribution payment date on any series of our non-cumulative preference shares which are then outstanding, then the partnership may not pay any distributions on the partnership preferred securities, and neither the partnership nor we may set aside any sum to pay such distributions, unless, on the distribution payment date, we set aside an amount equal to the payment on such series of non-cumulative preference shares for the then-current payment period to provide for the payment in full of such payment on the next applicable distribution payment date.

Distributions will not be cumulative and the holders of trust preferred securities and partnership preferred securities will have no claim for any distributions not paid, or for the portion of any distribution not paid, pursuant to the restrictions described above. Therefore, amounts not paid on the partnership preferred securities as a result of a “no distribution instruction” or a “partial distribution instruction” or non-payment on our non-cumulative shares as described above are not “due” or “payable” in accordance with the terms of the partnership preferred securities.

### **Additional Amounts**

The partnership will make all payments on the partnership preferred securities without deduction or withholding for, or on account of, any and all present and future income, stamp and other taxes, levies, imposts, duties, charges, fees, deductions or withholdings imposed, levied, collected, withheld or assessed by or on behalf of a Relevant taxing jurisdiction, unless such deduction or withholding is required by law. If at any time a Relevant taxing jurisdiction requires the partnership to make such deduction or withholding, the partnership will, subject to the exceptions equivalent to those described under “Description of Trust Preferred Securities—Additional Amounts,” as applied to the partnership, pay or procure the payment of such additional amounts that are necessary in order that the net amounts paid to the holders of the partnership preferred securities, after the deduction or withholding, shall equal the amounts which would have been

payable to holders of the partnership preferred securities if the deduction or withholding had not been required.

Any reference in this Offering Circular relating to the payment of distributions or any payments on, or in respect of, the partnership preferred securities, includes the payment of additional amounts to the extent that, in the context, additional amounts are, were or would be payable.

## **Redemption of Partnership Preferred Securities**

### ***Redemption at the Partnership's Option***

The partnership may, with the written consent of the UK Financial Services Authority, redeem the partnership preferred securities at its option, in whole or in part, on March 31, 2008 and on any distribution payment date thereafter. The partnership must give 60 to 90 days' notice of such redemption to the holders of the partnership preferred securities. Any notice of such redemption shall be irrevocable.

### ***Redemption following a Partnership Special Redemption Event***

The partnership, with the written consent of the UK Financial Services Authority, has the option to redeem the partnership preferred securities, in whole but not in part, at any time, upon the occurrence of any of the events described in the bulleted items below. Each of these events is referred to as a "partnership special redemption event":

- as a result of a change in or amendment to the laws or regulations of any taxing jurisdiction of or in the United Kingdom or the United States, including any treaty to which the applicable jurisdiction is a party, or any change in official application or interpretation of those laws or regulations, including a decision of any court or tribunal (a "tax law change"), which becomes effective on or after the date of the original issue of the trust preferred securities, in making any payments on the partnership preferred securities or on the subordinated guarantees, the partnership or we have paid or will or would on the next distribution payment date be required to pay additional amounts on such securities or guarantees;
- as a result of a tax law change on or after the date of issuance of any subordinated notes or eligible investments, in making any payments on the subordinated notes or other eligible investments, we or the issuer of such other eligible investments have paid or will or would on the next distribution payment date be required to pay additional amounts on such subordinated notes or other eligible investments;
- the partnership has been, is or will be subject to tax in the United States or the United Kingdom;
- in respect of interest payments on the subordinated notes or any eligible investments, on the next payment date, (i) we or the issuer of such other eligible investments would not be entitled to claim a deduction in computing taxation liabilities in the United Kingdom (or another taxing jurisdiction relevant to such issuer), (ii) the value of the deduction to us or such issuer would be materially reduced, or (iii) we would otherwise suffer adverse tax consequences which we cannot reasonably avoid in connection with the subordinated notes or other eligible investments or in connection with the partnership preferred securities;
- we have been informed by the UK Financial Services Authority that the partnership preferred securities do not qualify as Tier 1 capital under applicable banking regulations; or
- as a result, after the issue date of the trust preferred securities, of (A) any judicial decision, any pronouncement or interpretation (irrespective of the manner made known), or change in practice, the adoption or amendment of any law, rule or regulation, any notice or announcement (including any notice or announcement of intent to adopt such rule or regulation, any notice or announcement (including any notice or announcement of intent to adopt such rule or regulation by any US legislative body, court, governmental agency or regulatory authority), or (B) a change in the laws of the United Kingdom relating to the enforceability of either of the subordinated guarantees, the partnership or the trust is required to register as an "investment company" within the meaning of the US Investment Company Act of 1940.

The partnership must give 30 to 60 days' notice of redemption to the holders of the partnership preferred securities. Any notice of redemption will be irrevocable.

### ***Limitation on Redemption***

The partnership will not be permitted to redeem the partnership preferred securities unless:

- the written consent of the UK Financial Services Authority has been obtained; and
- the redemption is ultimately funded out of our distributable profits or from the proceeds of a new issuance of our ordinary shares or other capital that qualifies under generally accepted accounting practices in the United Kingdom for treatment as minority interest or shareholders' funds in our accounts; and
- we have declared and paid in full, or have set aside an amount to provide for the payment in full of, the dividend stated to be payable on any series of our non-cumulative preference shares which are then outstanding, in respect of successive then-current dividend periods which singly or together aggregate no less than 12 months.

### ***Payment of Redemption Amount***

Upon redemption of the partnership preferred securities at the partnership's option or upon a partnership special redemption event, the redemption price at which the partnership preferred securities may be redeemed will be an amount, which is referred to as the "redemption amount," in cash equal to:

- their aggregate liquidation preference, plus
- an amount equal to accrued distributions, if any, for the then-current distribution period accrued on a daily basis to the redemption date, plus
- an amount equal to any improperly withheld distributions which were payable in accordance with the terms of the partnership preferred securities, without interest.

*For the avoidance of doubt, distributions will not be cumulative and the holders of partnership preferred securities will have no claim for any distributions (or the portion thereof) not payable.*

### **Liquidation of Partnership**

Events that may cause us to effect the substitution of trust preferred securities for non-cumulative dollar preference shares, and the liquidation of the partnership, are described under "Description of Trust Preferred Securities—Liquidation or Dissolution—Liquidation of Trust Upon Substitution of Trust Preferred Securities for Non-Cumulative Dollar Preference Shares."

The partnership agreement will provide that, if any order has been made or an effective resolution passed for our winding up, the partnership will be obligated to commence proceedings to dissolve and liquidate the partnership in accordance with the Delaware Revised Uniform Limited Partnership Act and the partnership agreement. However, the partnership generally will not be dissolved until all claims under the partnership securities subordinated guarantee have been paid in full.

### ***Rights Upon Liquidation***

Each partnership preferred security has a liquidation preference of \$1,000.

In the event of a liquidation, dissolution or winding up of the partnership (where an order has been made or an effective resolution passed for our winding up), holders of partnership preferred securities will be entitled to receive, subject as set out below and to a substitution event, for each partnership preferred security a liquidation preference of \$1,000, together with all accrued distributions if any, for the then-current distribution period, accrued on a daily basis to the date of the final distribution of the assets of the partnership, and an amount equal to any improperly withheld distributions which were payable in accordance with the terms of the partnership preferred securities, without interest, out of the assets of the partnership available for distribution under applicable law.

If, at the time a partnership liquidation distribution is to be paid, an order has been made or an effective resolution passed for our winding up, the priority limited partnership interest will have a priority claim to receive a distribution from the partnership equal to any amount of partnership assets that, if distributed as a liquidation distribution on the partnership preferred securities, would result in the partnership preferred securities receiving a liquidation distribution greater than the distribution they would have received if the partnership preferred securities were non-cumulative preference shares issued by us having a liquidation

preference equal to the liquidation preference on the partnership preferred securities and bearing dividends at the distribution rate applicable to and on the terms of the partnership preferred securities, together with unpaid distributions payable in accordance with the terms of the partnership preferred securities (without interest). This will reduce the assets available in a liquidation for distribution on the partnership preferred securities to a payment equivalent to that payable on our non-cumulative preference shares in our winding up.

On the winding up of the partnership, neither any holder of partnership preferred securities nor the guarantee trustee may exercise or claim any right of set off in respect of any amount in respect of liquidation preference or distributions on the partnership preferred securities owed to it and each holder of the partnership preferred securities shall, by virtue of his subscription, purchase or holding of the partnership preferred securities be deemed to have waived all such rights of set off.

## **Amendments**

### ***Amendments Without Consent of Holders of Partnership Preferred Securities***

The partnership agreement may be amended without the consent of the holders of the partnership preferred securities:

- to cure any ambiguity;
- to correct or supplement any provisions in the partnership agreement that may be defective or inconsistent with any other provision in the partnership agreement;
- to add to the covenants, restrictions or obligations of the general partner;
- to conform to any change in the US Investment Company Act of 1940 or change in interpretation or application of the rules or regulations promulgated thereunder;
- to conform to any change in the US Trust Indenture Act of 1939 or change in interpretation or application of the rules and regulations promulgated thereunder (which is deemed to apply);
- to modify, eliminate or add to any provisions of the partnership agreement as necessary to ensure that the partnership will be classified as a partnership which is not a publicly traded partnership for US federal income tax purposes at all times that any partnership preferred securities are outstanding or to ensure that the partnership will not be required to register as an “investment company” within the meaning of the US Investment Company Act of 1940;
- to modify, eliminate and add to any provision of a partnership agreement to such extent as may be necessary or desirable; or
- to provide for the partnership preferred securities to be held in book-entry form;

so long as no such amendment will have a material adverse effect on the rights, preferences or privileges of the holders of the partnership preferred securities.

### ***Amendments with Consent of Holders of Partnership Preferred Securities***

Without the consent of each holder of the partnership preferred securities, the partnership agreement may not be amended to:

- change the amount or timing of any distribution payable on the partnership preferred securities or otherwise adversely affect the amount of any distribution required to be made on the partnership preferred securities;
- change the redemption amount;
- restrict the right of a holder of partnership preferred securities to institute suit for the enforcement of any payment owed on the partnership preferred securities; or
- change the voting requirements and other provisions relating to amendments.

Without the consent of the holders of 75% in liquidation preference amount of outstanding partnership preferred securities, the partnership agreement may not be amended to:

- adversely affect the powers, preferences or special rights of the partnership preferred securities; or

- result in the liquidation, dissolution, winding up or termination of the partnership other than pursuant to the terms of the partnership agreement.

### ***Provisions That May Not Be Amended***

Under no circumstances shall any amendment to any provision of the partnership agreement be permitted that would:

- cause the partnership to be classified as other than a partnership which is not a publicly traded partnership for US federal income tax purposes or cause the partnership not to be treated as a partnership for UK tax purposes; or
- cause the partnership to be required to register as an “investment company” within the meaning of the US Investment Company Act of 1940.

No vote of the holders of the partnership preferred securities will be required for the partnership to redeem and cancel, or exchange, the partnership preferred securities in accordance with the partnership agreement. See “—Redemption of Partnership Preferred Securities” above.

Even if holders of partnership preferred securities are entitled to vote or consent under any of the circumstances described above, any of the partnership preferred securities that are beneficially owned at that time by us or a member of the Group (other than the trust), will not be entitled to vote or consent and, for such purpose, those partnership preferred securities will be treated as if they were not outstanding.

## **Meetings of the Holders of Partnership Preferred Securities**

### ***Meetings***

The general partner may call a meeting of the holders of the partnership preferred securities on any matter on which the holders of these securities are entitled to act under the partnership. In addition, the holders of at least 10% in liquidation preference of the partnership preferred securities may direct the general partner to call such a meeting. The general partner is required to give notice of any such meeting at least seven days but not more than 60 days before the date of such meeting. The general partner, in its sole discretion, will establish all other provisions relating to meetings of holders of partnership preferred securities not stated below.

### ***Action by Written Consent***

Whenever a vote, consent or approval of the holders of partnership preferred securities is permitted or required, that vote, consent or approval may be given at a meeting. Any action that may be taken at a meeting of the holders may be taken without a meeting and without prior notice if a consent in writing setting forth the action so taken is signed by the holders owning not less than the minimum amount of partnership preferred securities in liquidation amount that would be necessary to authorize or take such action at the meeting itself.

### ***Proxies***

Each holder of a partnership preferred security may authorize any person to act for it by proxy on all matters but a proxy will not be valid after the expiration of 11 months from the date such proxy is first given unless otherwise provided in the proxy. The holder of partnership preferred securities executing the proxy may revoke it at any time. All matters relating to the giving, voting or validity of proxies will be governed by the General Corporation Law of the State of Delaware relating to proxies, and judicial interpretations thereunder, as if the partnership were a Delaware corporation and the holders of the partnership preferred securities were stockholders of a Delaware corporation.

## **Repurchases of Partnership Preferred Securities**

Subject to our Articles of Association, the special rights of any of our shares, and applicable law, we or any of our subsidiaries may at any time and from time to time, purchase outstanding partnership preferred securities in the open market, by tender or by private agreement, in each case upon the terms and conditions that our board of directors or an authorized committee of our board of directors shall determine.

Under current UK Financial Services Authority requirements, we may not redeem or purchase any partnership preferred securities beneficially for our own account, other than a repurchase in connection with dealing in securities unless the UK Financial Services Authority consents in advance in writing. The UK

Financial Services Authority may impose conditions on any redemption or purchase at the time it gives its consent.

### **Merger, Consolidation and Sale of Assets**

The partnership may not consolidate or merge with, or transfer or lease its assets substantially as an entirety to, any corporation or other entity except as described below. The partnership may, without the consent of the holders of the partnership preferred securities, consolidate or merge with a limited partnership, limited liability company or trust organized under the laws of any state of the United States, so long as all of the following conditions are satisfied:

- if the partnership is not the surviving entity, the successor entity either expressly assumes all of the obligations of the partnership under the partnership preferred securities or substitutes for the partnership preferred securities other securities having substantially the same terms and other provisions as the partnership preferred securities (which we refer to as “substituted partnership securities”), so long as the substituted partnership securities rank the same as the partnership preferred securities with respect to participation in the profits, distribution and assets of the successor entity;
- we expressly acknowledge the successor entity as the holder of the subordinated notes or other eligible investments, as applicable;
- if the partnership preferred securities were listed, any substituted partnership securities will be listed upon issuance on the same or an equivalent exchange on which the partnership preferred securities were listed;
- such event does not cause the ratings of the trust preferred securities (or, if the trust has been liquidated, the partnership preferred securities or any substituted partnership securities) to be downgraded, suspended or withdrawn by any nationally recognized ratings organization;
- such event does not adversely affect the rights, preferences or privileges of the holders of the trust preferred securities or partnership preferred securities or any substituted partnership securities in any material respect;
- the successor entity has a purpose substantially identical to that of the partnership;
- we will hold, directly or indirectly, the general partnership interest and will guarantee the partnership preferred securities or the substituted partnership securities at least to the extent provided by the partnership preferred securities guarantee; and
- before such event, the partnership has received an opinion of a nationally recognized law firm or firms experienced in these matters to the effect that (A) the successor entity will be treated as a partnership, and will not be classified as an association or a publicly traded partnership taxable as a corporation, for US federal income tax purposes, (B) the merger would not cause the trust to be classified as other than a grantor trust for US federal income tax purposes, (C) after the merger, the successor will not be required to register as an “investment company” within the meaning of the US Investment Company Act of 1940, (D) the merger will not adversely affect the limited liability of the holders of the partnership preferred securities, and (E) the merger would not cause the partnership not to be treated as a partnership for UK tax purposes, unless the prior consent of each beneficial holder of the trust securities is obtained in connection with each of condition A, B, C, D and E.

### **Registrar, Transfer Agent and Paying Agent**

The Bank of New York will act as registrar and transfer agent for the partnership preferred securities. The Bank of New York, London Branch, will act as paying agent for the partnership preferred securities.

Registration of transfers of partnership preferred securities will be effected without charge by or on behalf of the partnership, but upon payment (and with the giving of such indemnity as the transfer agent may require) in respect of any tax or other governmental charges that may be imposed in relation to it.

The transfer agent will not be required to register or cause to be registered the transfer of any partnership preferred securities after such partnership preferred securities have been called for redemption.

**Governing Law**

The partnership agreement and the partnership preferred securities will be governed by and construed in accordance with the laws of the State of Delaware.

**Miscellaneous**

The general partner is authorized and directed to conduct the affairs of the partnership in such a way that (1) the partnership will not be required to register as an “investment company” within the meaning of the Investment Company Act of 1940 and (2) the partnership will not be treated as an association or as a “publicly traded partnership” (within the meaning of Section 7704 of the Internal Revenue Code of 1986, as amended) taxable as a corporation for US federal income tax purposes. In this connection, the general partner is authorized to take any action, not inconsistent with applicable law, the certificate of limited partnership or the partnership agreement, that the general partner determines in its discretion to be necessary or desirable for those purposes, so long as the action does not adversely affect the interests of the holders of the partnership preferred securities.

## DESCRIPTION OF SUBORDINATED NOTES

*The following description of the terms and provisions of the subordinated notes summarizes the terms of the subordinated notes. This summary is qualified in its entirety by reference to the terms and provisions of the subordinated notes. A copy of the form of subordinated notes is available for inspection free of charge at the offices of any paying agent.*

### General

The partnership will initially invest in subordinated notes (the “subordinated notes”) that represent a claim in our liquidation entitling the partnership to substantially the same distributions upon our liquidation that the partnership would have been entitled to if the subordinated notes were preference shares issued by us and ranking equally with our non-cumulative preference shares and on the assumption that such preference shares were entitled to receive on our liquidation an amount equal to the principal amount of the subordinated notes plus any accrued interest. Upon the redemption or maturity of the subordinated notes, and upon the issuance of any additional partnership preferred securities (as described under “Description of Partnership Preferred Securities—General”), the partnership will invest in other eligible investments issued by us or any eligible member of the Group other than any member incorporated or resident for US federal income tax purposes in the United States or any political subdivision thereof or any US branch of any member of the Group.

We will apply for the subordinated notes to be admitted to the Luxembourg Stock Exchange or to the official list of another “recognised stock exchange” within the meaning of Section 841 of the UK Income and Corporations Taxes Act of 1988.

### Form

We will issue the subordinated notes in the form of a single global note in registered form (the “global note”), registered in the name of a common depositary for Euroclear and Clearstream, Luxembourg. The global note will only be exchangeable for definitive subordinated notes in registered form if we so determine pursuant to the terms of the subordinated notes.

### Interest Payments

We will issue the subordinated notes on the closing date, at an issue price of 100% of their principal amount of \$750,001,000. The subordinated notes will bear interest from their issue date at a fixed rate of 6.80% per annum, payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing March 31, 2003. Each date on which interest is payable is an “interest payment date” and the period from and including an interest payment date, or the date of initial issuance as applicable, to but not including the next succeeding interest payment date is an “interest period.” If interest would be payable on the subordinated notes on a day that is not a business day, such interest payment will instead be paid on the immediately preceding day that is a business day (with no reduction in interest or other amounts as a result of any such early payment).

Interest on the subordinated notes will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each.

The subordinated notes are transferable and, if transferred, we will be required to substitute them for eligible investments. The interest payments on the subordinated notes do not guarantee distributions on the trust preferred securities or the partnership preferred securities. These distributions are guaranteed by us under and pursuant to the terms of the subordinated guarantees. The subordinated guarantees would be unaffected by any transfer of the subordinated notes.

### Redemption

The subordinated notes will be redeemed by us on December 5, 2042 and may be redeemed at our option prior to their maturity, subject to applicable regulatory requirements, including the prior written approval of the UK Financial Services Authority (if such approval is required under applicable UK banking regulations).

### Additional Amounts

We will pay any amounts to be paid under our subordinated notes without deduction for, or on account of any and all present and future income, stamp and other taxes, levies, imposts, duties, charges, fees,

deductions or withholdings imposed, levied, collected, withheld or assessed by or on behalf of a UK taxing jurisdiction unless such deduction or withholding is required by law. If at any time a UK taxing jurisdiction requires us to make such deduction or withholding, we will, subject to exceptions equivalent to those described under “Description of Trust Preferred Securities—Additional Amounts,” pay additional amounts that are necessary in order that the net amounts, paid to a holder of the subordinated notes, after the deduction or withholding, shall equal the amounts of payments which would have been payable on our subordinated notes if the deduction or withholding had not been required.

Any reference in this Offering Circular relating to the payment of interest on, or in respect of, the subordinated notes includes the payment of additional amounts to the extent that, in the context, additional amounts are, were or would be payable.

### **Ranking of Subordinated Notes**

The subordinated notes will constitute our direct and unsecured subordinated obligations and will rank equally without any preference among themselves. The right of the partnership to receive payments of principal and interest will be subordinated to “senior claims” (as defined below), including the claims of any subordinated debt security holders or the claims of holders of any other series of our capital securities, which do not, or are not expressed to, rank equally with or after the subordinated notes. In the event of our winding up, the amount payable, if any, in respect of the subordinated notes will be such amount as would have been payable as if, on the day immediately prior to the commencement of our winding up and thereafter, the subordinated notes were a class of our non-cumulative preference shares (on the assumption that such preference shares were entitled to receive on our winding up an amount equal to the principal amount of the subordinated notes and pay dividends at the interest rate applicable to the subordinated notes together with any accrued interest).

The following are “senior claims” in respect of the subordinated notes:

- all claims of our unsubordinated creditors admitted in the winding up;
- all claims of our creditors in respect of liabilities that are, or are expressed to be, subordinated, whether only in the event of a winding up or otherwise, to the claims of our unsubordinated creditors but not further or otherwise;
- all unpaid cumulative distributions on our cumulative preference shares; and
- all other claims except those that rank, or are expressed to rank, equally with or junior to the subordinated notes.

The terms and conditions of the subordinated notes do not prohibit us from creating any mortgage, charge, lien, pledge, encumbrance or any other form of security interest over any of our assets, properties or undertakings, nor do they prohibit us from incurring any secured or unsecured indebtedness.

### **Events of Default**

The only events of default under the subordinated notes will be our failure to make a payment in respect of the subordinated notes (in the case of payment of principal) for a period of 7 days or more after the due date for the same or (in the case of any payment of interest) for a period of 14 days or more after the due date for the same. If an event of default occurs, the subordinated notes will not provide for acceleration. The only remedies available to the partnership upon an event of default will be to petition for our winding up.

### **Governing Law**

The subordinated notes will be governed by, and construed in accordance with, the laws of England.

## DESCRIPTION OF SUBORDINATED GUARANTEES

*The following description of the terms and provisions of the subordinated guarantees summarizes the terms of the subordinated guarantees that will be executed and delivered by us as guarantor for the benefit of the holders from time to time of the partnership preferred securities and the trust securities. We refer you to each of the subordinated guarantees. A copy of the form of each of the subordinated guarantees is available for inspection at the offices of any paying agent.*

### General

When the trust issues the trust preferred securities, we will execute and deliver a subordinated guarantee of the trust preferred securities under a subordinated guarantee agreement for the benefit of the holders of the trust preferred securities. In addition, when the partnership issues the partnership preferred securities, we will execute and deliver a subordinated guarantee of the partnership preferred securities under a subordinated guarantee agreement for the benefit of the holders of the partnership preferred securities. The terms of the subordinated guarantees will be those set forth in the subordinated guarantee agreements.

The Bank of New York will act as guarantee trustee under each subordinated guarantee agreement. The guarantee trustee will hold (i) the trust preferred securities guarantee for the benefit of the holders of the trust preferred securities of the trust and (ii) the partnership preferred securities guarantee for the benefit of the holders of the partnership preferred securities of the partnership.

### Specific Terms of the Subordinated Guarantees

We will irrevocably and unconditionally agree to pay in full, on a subordinated basis, the following payments or distributions on the trust preferred securities, to the extent that they are due to be paid and are not paid by, or on behalf of, the trust:

- any distributions payable in accordance with the terms of the trust preferred securities;
- the redemption price required to be paid for each trust preferred security called for redemption, plus an amount equal to accrued distributions, if any, for the then-current distribution period accrued on a daily basis to the redemption date and an amount equal to any improperly withheld distributions which were payable in accordance with the terms of the trust preferred securities, without interest;
- upon a dissolution, winding up or liquidation of the trust, unless the corresponding partnership preferred securities or non-cumulative dollar preference shares are distributed to holders of the trust preferred securities as described in this Offering Circular, the aggregate liquidation preference of the trust preferred securities, plus any accrued distributions at the stated rate for the then-current distribution period, through to the date of payment and an amount equal to any improperly withheld distributions which were payable in accordance with the terms of the trust preferred securities, without interest; and
- any additional amounts payable in accordance with the terms of the trust preferred securities.

We will irrevocably and unconditionally agree to pay in full, on a subordinated basis, the following payments or distributions on the partnership preferred securities, to the extent that they are due to be paid and are not paid by, or on behalf of, the partnership:

- any distributions payable in accordance with the terms of the partnership preferred securities;
- the redemption price required to be paid for each partnership preferred security called for redemption, plus an amount equal to accrued distributions, if any, for the then-current distribution period accrued on a daily basis to the redemption date and an amount equal to any improperly withheld distributions which were payable in accordance with the terms of the partnership preferred securities, without interest; and
- upon a dissolution, winding up or liquidation of the partnership unless the non-cumulative dollar preference shares have been distributed to the holders of the partnership preferred securities as described herein, the aggregate liquidation preference of the partnership preferred securities, plus any accrued distributions at the stated rate for the then-current distribution period, through the

date of payment and an amount equal to any improperly withheld distributions which were payable in accordance with the terms of the partnership preferred securities, without interest; and

- any additional amounts payable in accordance with the terms of the partnership preferred securities.

We will also be required to pay interest accrued on these amounts from the date a claim is made under the applicable subordinated guarantee until the payment is made or offered to the holders, subject to the limitations set forth in the subordinated guarantees.

Our obligation to make the payments described above under the subordinated guarantees may be satisfied by direct payment of the required amounts by us to the holders of the trust preferred securities or partnership preferred securities, as the case may be, or by causing the trust or partnership to pay such amounts to these holders. In addition, our obligation to make the payments described above will exist regardless of any defense, right of set-off or counterclaim that the trust or partnership may have or assert.

Each subordinated guarantee will be unconditional. For the avoidance of doubt, however, amounts not paid on the trust preferred securities or the partnership preferred securities as a result of a “no distribution instruction” or a “partial distribution instruction” or non-payment on our non-cumulative preference shares as described above under “Partnership Preferred Securities—Distributions on the Partnership Preferred Securities—Limitations on Distributions” are not “due” or “payable” in accordance with the terms of such securities. Distributions on the trust preferred securities and the partnership preferred securities will not be cumulative and the holders of such securities will have no claim for any distributions (or the portion thereof) not payable. Accordingly, any distributions (or the portion thereof) not payable in accordance with the terms of the trust preferred securities or the partnership preferred securities are not payable under the subordinated guarantees. See “Description of Partnership Preferred Securities—Distributions on the Partnership Preferred Securities—Limitations on Distributions” and “Description of Partnership Preferred Securities—Rights Upon Liquidation.”

Subject to the preceding paragraph, payments under each subordinated guarantee will be made regardless of whether the partnership or the trust had legally available funds for the guaranteed payment.

### **Additional Amounts**

We will pay or procure the payment of any amounts to be paid under the subordinated guarantees without deduction or withholding for, or on account of, any and all present and future income, stamp and other taxes, levies, imposts, duties, charges, fees, deductions or withholdings imposed, levied, collected, withheld or assessed by or on behalf of a Relevant taxing jurisdiction unless such deduction or withholding is required by law. If at any time a Relevant taxing jurisdiction requires us to make such deduction or withholding, we will, subject to exceptions equivalent to those described under “Description of Trust Preferred Securities—Additional Amounts” as applied to us, pay or procure the payment of such additional amounts that are necessary in order that the net amounts paid to holders of the trust preferred securities or the partnership preferred securities (as applicable), after the deduction or withholding, shall equal the amounts of payments which would have been payable on the trust preferred securities or the partnership preferred securities, respectively, if the deduction or withholding had not been required. Our obligation to pay additional amounts will be limited to the extent that we have insufficient distributable profits available to fund the relevant payment or, even if we have sufficient distributable profits, to the extent that a payment in respect of any distribution would breach or cause a breach of the capital adequacy requirements of the UK Financial Services Authority applicable to us and/or any of our subsidiaries. If we are unable to pay additional amounts in full as a result of the above restrictions, we will pay additional amounts to the extent of any distributable profits on a pro rata basis so that the amounts paid under the subordinated guarantees (including any additional amounts) and on other equally-ranking securities or guarantees will in all cases bear to each other the same ratio that payments due under the subordinated guarantees and such other equally-ranking securities or guarantees bear to each other.

Any reference in this Offering Circular relating to the payment of distributions or any payments on, or in respect of, any subordinated guarantees, includes the payment of the additional amounts described in the preceding paragraph to the extent that, in the context, those additional amounts are, were or would be payable.

## Ranking

The subordinated guarantees will rank equally and ratably without any preference with each other. In a winding up, the subordinated guarantees are subordinated to, and subject in right of payment to, the prior payment in full of all “senior claims,” including the claims of any subordinated debt security holders (which include any of our capital securities) which do not, or are not expressed to, rank equally with or after the subordinated guarantees. Upon any winding up of the Group, the subordinated guarantees will rank equally with the holders of our existing preference shares (except for the unpaid cumulative dividends on any cumulative preference shares) and any other parity securities of the Group then outstanding and in priority to all holders of our junior securities.

The following are “senior claims” in respect of the subordinated guarantees:

- all claims of our unsubordinated creditors admitted in the winding up;
- all claims of our creditors in respect of liabilities that are, or are expressed to be, subordinated, whether only in the event of a winding up or otherwise, to the claims of our unsubordinated creditors but not further or otherwise;
- all unpaid cumulative distributions on our cumulative preference shares; and
- all other claims except those that rank, or are expressed to rank, equally with or junior to the subordinated guarantees.

As a consequence of the above-described subordination provisions, guaranteed parties may recover less ratably than the holders of our unsubordinated liabilities and the holders of certain of our subordinated liabilities, including the holders of subordinated debt securities or holders of other capital securities. If, in any winding up, amounts payable under the subordinated guarantees and any claims ranking equally with the subordinated guarantees are not paid in full, the subordinated guarantees and other claims ranking equally will share ratably in any distribution of our assets in a winding up in proportion to the respective amounts to which they are entitled. If a guaranteed party is entitled to any recovery with respect to the subordinated guarantees in any winding up or liquidation, the guaranteed party might not be entitled in those proceedings to a recovery in US dollars and might be entitled only to a recovery in pounds sterling or any other lawful currency of the United Kingdom. In addition, under current UK law, our liability to guaranteed parties would have to be converted into pounds sterling or any other lawful currency of the United Kingdom at a date close to the commencement of proceedings against us and such guaranteed parties would be exposed to currency fluctuations between that date and the date they receive proceeds pursuant to such proceedings, if any.

In addition, because we are a holding company, our rights to participate in the assets of any subsidiary if it is liquidated will be subject to the prior claims of its creditors, including, in the case of our bank subsidiaries, their depositors, except to the extent that we may be a creditor with recognized claims against the subsidiary.

## Nature of the Subordinated Guarantees

Each subordinated guarantee will constitute a guarantee of payment and not of collection. This means that any guaranteed party may institute a legal proceeding directly against us to enforce its rights under a subordinated guarantee without first instituting a legal proceeding against any other person or entity. In addition, each subordinated guarantee will not be discharged except by payment of the amounts due under it in full to the extent they have not been paid by the trust or partnership, upon distribution of non-cumulative dollar preference shares following a substitution event or, in the case of the trust preferred securities guarantee, upon distribution of partnership preferred securities to the holders of the trust preferred securities in exchange for all of such trust preferred securities.

The subordinated guarantees will not place a limitation on the amount of additional debt that may be incurred by us or share capital or other securities that may be issued by us.

By accepting the guarantees each guaranteed party and the trustees will be deemed to have waived any right of set-off, counterclaim or combination of accounts with respect to the subordinated guarantees (or between our obligations, as guarantor, under or in respect of the subordinated guarantees and any liability owed by a guaranteed party or the trustees to us) that such guaranteed party might otherwise have against us, whether before or during our winding up.

## **Certain Covenants of The Royal Bank of Scotland Group plc as Guarantor**

We will agree to certain covenants under the subordinated guarantees. Should we default in respect of any of our obligations under the subordinated guarantees, including the covenants we describe below, the guarantee trustee will have the right to enforce the terms of the subordinated guarantees. The holders of not less than a majority in total liquidation preference of the securities to which a subordinated guarantee relates have the right to direct the time, method and place of conducting any proceeding for any remedy available to the guarantee trustee regarding our obligations under the subordinated guarantees or to direct the exercise of any trust or power conferred upon the guarantee trustee under the subordinated guarantees. If the guarantee trustee fails to enforce the subordinated guarantees, then any holder of securities to which the applicable subordinated guarantee relates may institute a legal proceeding directly against us as the guarantor to enforce the guarantee trustee's rights under that subordinated guarantee, without first instituting a legal proceeding against the trust or partnership, the guarantee trustee or any other person or entity.

### ***Payments under the Subordinated Guarantees***

We will agree in the subordinated guarantees that:

- to the extent distributions are payable in accordance with the terms of the partnership preferred securities or the trust preferred securities, as the case may be, we will pay such distributions to the extent these amounts are not paid by the partnership or trust;
- if the partnership preferred securities or the trust preferred securities are to be redeemed in accordance with their terms, we will pay amounts due upon redemption to the extent these amounts are not paid by the partnership or the trust; and
- if the holders of the partnership preferred securities or the trust preferred securities are entitled to any amounts due upon liquidation of the trust or the partnership, we will pay these amounts to the extent they are not paid by the partnership or the trust.

We will pay any additional amounts payable in accordance with the terms of the trust preferred securities and the partnership preferred securities, as the case may be, to the extent not paid by the trust or the partnership respectively.

For the avoidance of doubt, amounts not paid on the trust preferred securities or the partnership preferred securities as a result of a "no distribution instruction" or a "partial distribution instruction" or non-payment on our non-cumulative preference shares as described above under "Description of Partnership Preferred Securities—Distributions on the Partnership Preferred Securities—Limitations on Distributions" are not "due" or "payable" in accordance with the terms of such securities. Distributions on the trust preferred securities and the partnership preferred securities will not be cumulative and the holders of such securities will have no claim for any distributions (or the portion thereof) not payable. Accordingly, any distributions (or the portion thereof) not payable in accordance with the terms of the trust preferred securities or the partnership preferred securities are not payable under the subordinated guarantees. See "Description of Subordinated Guarantees" and "Description of Partnership Preferred Securities—Distributions on the Partnership Preferred Securities—Limitations on Distributions."

### ***Payment of Dividends on Junior Securities and Redemption of Junior or Parity Securities***

We will agree in the subordinated guarantees that if any distribution on the trust preferred securities or the partnership preferred securities, as applicable, has not been paid in full on the most recent distribution payment date (or a sum has not been set aside to provide for such payment in full), we may not declare or pay dividends (other than nominal special dividends) on any of our junior securities, unless and until distributions on such securities have been paid in full (or a sum has been set aside to provide for their payment in full) in respect of the then-current distribution period.

In addition, we will agree in the subordinated guarantees that if any distribution on the trust preferred securities or partnership preferred securities for the most recent distribution period has not been paid in full on the most recent distribution payment date (or a sum has not been set aside to provide for such payment in full), we may not redeem, purchase or otherwise acquire for any consideration any parity securities or junior securities, and we may not set aside any sum or establish any sinking fund for the redemption, purchase or other acquisition thereof, unless and until such time as distributions on the partnership preferred securities and the trust preferred securities in respect of successive then-current distribution periods which singly or together

aggregate 12 months shall have been paid in full (or a sum has been set aside to provide for their payment in full).

Junior securities means—

- our ordinary shares,
- any other securities issued directly by us and which rank or are expressed to rank junior as to payments to our non-cumulative preference shares, and
- any securities issued by any subsidiary of ours that benefit from a guarantee or support agreement by us which ranks or is expressed to rank junior as to payments to our non-cumulative preference shares.

Parity securities means—

- our non-cumulative preference shares from time to time outstanding,
- any other securities issued directly by us and which rank or are expressed to rank equally as to payments with our non-cumulative preference shares, and
- any securities issued by any of our subsidiaries that benefit from a guarantee or support agreement by us which ranks or is expressed to rank equally as to payments with our non-cumulative preference shares.

#### ***Maintenance of Ownership and Existence of the Partnership and the Trust***

As long as any trust securities or partnership preferred securities remain outstanding, the general partnership interest will be held by us, the general partner or one or more “qualified subsidiaries,” and all of the trust common securities will be held by the partnership or one or more “qualified subsidiaries.” For these purposes, “qualified subsidiaries” means a “company controlled by the parent company” within the meaning of Rule 3a-5 of the US Investment Company Act of 1940, that is also a “United States person” as defined in section 7701(a)(30) of the Internal Revenue Code of 1986, as amended. The priority limited partnership interest will be initially held by The Royal Bank of Scotland plc.

We will agree in the subordinated guarantees that, as long as any of the partnership preferred securities are outstanding, we will not permit, or take any action to cause, the liquidation, dissolution, termination or winding up of the partnership unless (1) a partnership special redemption event, an investment company event or a substitution event has occurred with respect to the partnership or (2) we are in liquidation, all claims under the subordinated guarantees have been paid in full and the UK Financial Services Authority has granted its approval in writing, if then required. We will likewise agree that as long as any trust preferred securities are outstanding, we will not permit, or take any action to cause, the liquidation, dissolution, termination or winding up of the trust unless:

- a trust tax event or an investment company event has occurred with respect to the trust,
- a substitution event has occurred with respect to the partnership, or
- we are in liquidation, all claims under the subordinated guarantees have been paid in full and the UK Financial Services Authority has granted its approval in writing, if then required.

#### ***Classification of the Trust and the Partnership***

We will use reasonable efforts to ensure that (1) the partnership will not be classified as other than a partnership for US federal income tax purposes, (2) the trust will not be classified as other than a grantor trust for US federal income tax purposes and (3) neither the partnership nor the trust will be required to register as an “investment company” within the meaning of the US Investment Company Act of 1940.

#### ***Substitution***

In the event of the occurrence of a substitution event, we will undertake pursuant to the subordinated guarantees to use reasonable efforts to:

- ensure that we will have a sufficient number of authorized but unissued non-cumulative dollar preference shares to effect a substitution;

- effect the corporate steps necessary to complete the substitution of non-cumulative dollar preference shares for the trust preferred securities;
- obtain admission of the non-cumulative dollar preference shares to the Official List of the UK Listing Authority and to trading on the London Stock Exchange or a similar recognized exchange following their distribution to the holders of the trust preferred securities and
- file a Form 3 application in respect of the non-cumulative dollar preference shares with the Monetary Authority of Singapore.

We will also undertake to pay any stamp duty, stamp duty reserve tax and other duties imposed in connection with the allotment and issuance of the non-cumulative dollar preference shares and their delivery to the common depositary for Euroclear and Clearstream, Luxembourg. See “US Federal and UK Tax Consequences” below.

The method for effecting a substitution is described under “Description of Trust Preferred Securities—Liquidation or Dissolution—Liquidation of Trust Upon Substitution of Trust Preferred Securities for Non-Cumulative Dollar Preference Shares.”

### **Amendments**

Each subordinated guarantee may be amended under the following circumstances: any changes to the provisions of either subordinated guarantee that establish the amount and timing of the payments under that subordinated guarantee must be approved by each holder of the partnership preferred securities or the trust preferred securities, as applicable. Any other provision of the subordinated guarantees may be modified only with the prior approval of the holders of more than 75% of the partnership preferred securities or more than 75% of the trust preferred securities, as the case may be.

However, both subordinated guarantees may be amended without the consent of the holders of the applicable securities to:

- cure any ambiguity;
- correct or supplement any provision that may be defective or inconsistent with any other provision;
- add to our covenants, restrictions or obligations under the relevant subordinated guarantee;
- conform to any change in the US Investment Company Act of 1940, the US Trust Indenture Act of 1939 (which is deemed to apply) or the rules or regulations of either statute; and
- modify, eliminate and add to any provision to such extent as may be necessary or desirable;

so long as no such amendment will have a material adverse effect on the rights, preferences or privileges of the holders of the trust preferred securities or partnership preferred securities, as the case may be.

Any partnership preferred securities or trust preferred securities that are beneficially owned at that time by us or any of our subsidiaries, other than partnership preferred securities that are held by the trust, will not be entitled to vote or consent and for such purposes, those securities will be treated as if they were not outstanding, except under certain limited circumstances.

### **Assignment**

All guarantees and agreements contained in a subordinated guarantee will bind our successors, assigns, receivers, trustees and representatives and will inure to the benefit of the holders of the related trust preferred securities or partnership preferred securities, as the case may be. We may not assign our obligations under either of the subordinated guarantees, except in the case of merger, consolidation or sale of substantially all of our assets where we are not the surviving entity.

### **Remedies**

The holders of not less than a majority in total liquidation preference of the securities to which a subordinated guarantee relates have the right to direct the time, method and place of conducting any proceeding for any remedy available to the guarantee trustee regarding the subordinated guarantee or to direct the exercise of any trust or power conferred upon the guarantee trustee under such subordinated guarantee.

If the guarantee trustee fails to enforce a subordinated guarantee after a holder of the corresponding securities has made a written request, then such holder of the corresponding securities may institute a legal proceeding directly against us as the guarantor to enforce the subordinated guarantee trustee's rights under that subordinated guarantee, without first instituting a legal proceeding against the trust or partnership, any guarantee trustee or any other person or entity. Notwithstanding the foregoing, if we fail to make the payments described under "—Specific Terms of the Subordinated Guarantees" above, a holder of the corresponding securities may directly institute a proceeding, in such holder's own name against us for enforcement of the guarantee for such payment.

In no event shall the rights to take remedial action described above result in any holder of trust preferred securities or partnership preferred securities receiving, or receiving sooner, any amount that it would not have received had it been a holder of non-cumulative preference shares issued directly by us with economic terms equivalent to the partnership preferred securities and the subordinated guarantees, taken together.

### **Information Concerning the Guarantee Trustees**

The guarantee trustees, other than during the occurrence and continuance of a default by us in performance of a subordinated guarantee, undertake to perform only such duties as are specifically set forth in the subordinated guarantees. After a default under any subordinated guarantee which has not been cured or waived, that is actually known to a responsible officer of the applicable guarantee trustee, the guarantee trustee must exercise the same degree of care and skill as a prudent person would exercise or use under the circumstances in the conduct of his own affairs. Subject to this provision, no guarantee trustee is under any obligation to exercise any of the powers vested in it by a subordinated guarantee at the request of any holder of securities to which the subordinated guarantee relates unless it is offered reasonable indemnity against the costs, expenses and liabilities that might be incurred by such action.

### **Termination of the Subordinated Guarantees**

The trust preferred securities guarantee will terminate upon any of the following events:

- full payment of the redemption price of all trust preferred securities of the trust;
- full payment of the amounts payable upon liquidation of the trust;
- distribution of the partnership preferred securities held by the trust to the holders of the trust preferred securities in exchange for all of the trust preferred securities; or
- substitution of the trust preferred securities of the trust for preference shares issued directly by us.

The partnership preferred securities guarantee will terminate upon any of the following events:

- full payment of the redemption price of all partnership preferred securities of the partnership;
- full payment of the amounts payable upon liquidation of the partnership; or
- any exchange of partnership preferred securities for our preference shares.

Each subordinated guarantee will continue to be effective or will be reinstated if at any time any holder of related securities issued by the trust or partnership is required to restore payment of any sums paid under the applicable securities or subordinated guarantee.

### **Subrogation**

If we make any payment under either of the subordinated guarantees, we will be subrogated to the rights of the holders of the trust preferred securities against the trust or the rights of the holders of the partnership preferred securities against the partnership, as the case may be, with respect to such payment. We will agree, however, not to enforce any payment by way of subrogation against the trust if any trust preferred securities are outstanding or against the partnership if any partnership preferred securities are outstanding.

### **Governing Law and Jurisdiction**

The subordinated guarantees, except for any provisions relating to subordination, will be governed by and construed in accordance with the laws of the State of New York. Subordination provisions in the subordinated guarantees will be governed by English law. The subordinated guarantees will require that any claim or proceeding brought to enforce our obligations under the subordinated guarantees be brought exclusively before a court in England or the State of New York.

## DESCRIPTION OF NON-CUMULATIVE DOLLAR PREFERENCE SHARES

*The following description of particular terms and provisions of the non-cumulative dollar preference shares summarizes the terms of our non-cumulative dollar preference shares which may be issued upon a substitution event. The descriptions in this Offering Circular may not contain all of the information that may be important to you and are subject to, and qualified in their entirety by reference to, our memorandum and articles of association and the resolutions which may be adopted by our board of directors or an authorized committee thereof establishing the rights, preferences, privileges, limitations and restrictions relating to the non-cumulative dollar preference shares.*

### General

Under our Articles of Association, our board of directors or a committee thereof are authorized to provide for the issuance of non-cumulative dollar preference shares, in one or more series, with the dividend rights, liquidation value per share, redemption provisions, voting rights and other rights, preferences, privileges, limitations and restrictions that are set forth in resolutions adopted by the board of directors or a committee thereof providing for their issue. The board of directors or a committee thereof may only provide for the issuance of non-cumulative dollar preference shares of any series if a resolution of our shareholders has authorized the allotment of the shares.

In accordance with the terms and provisions of the subordinated guarantees, we will use reasonable efforts to undertake, upon the occurrence of a substitution event, to implement the necessary corporate steps to substitute the trust preferred securities for non-cumulative dollar preference shares having equivalent liquidation preference and which will bear dividends at the distribution rate applicable to the partnership preferred securities and have the rights and preferences described below, except that no additional amounts will be payable with respect to any withholding taxes imposed on the non-cumulative dollar preference shares. See “Description of Subordinated Guarantees—Certain Covenants of The Royal Bank of Scotland Group plc as Guarantor—Substitution” and “Description of Trust Preferred Securities—Liquidation or Dissolution—Liquidation of Trust Upon Substitution of Trust Preferred Securities for Non-Cumulative Dollar Preference Shares.”

The substituted non-cumulative dollar preference shares will constitute a new series of our non-cumulative dollar preference shares, which non-cumulative dollar preference shares may be issued from time to time in one or more series with such dividend rights, liquidation value per share, redemption provisions, voting rights and other rights, preferences, privileges, limitations and restrictions as are established by resolutions of our board of directors.

The non-cumulative dollar preference shares will be represented by a single global certificate. The global certificate will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Beneficial interests in the global certificate will be evidenced by, and transfers thereof will be effected only through, records maintained by the participants in Euroclear and Clearstream, Luxembourg. Beneficial interests in the global certificate will be transferable only in accordance with the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be.

### Pre-emptive Rights

Holders of non-cumulative dollar preference shares issued upon a substitution event will have no pre-emptive rights in relation to any subsequent issue of share or other capital by us.

### Dividends

Non-cumulative dividends on the non-cumulative dollar preference shares will accrue from the date of first issue of the substituted non-cumulative dollar preference shares. Any non-cumulative dividends will be payable when, as and if declared by our board of directors or a committee thereof, in dollars quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing on whichever of March 31, June 30, September 30 or December 31 is first to occur after the date of first issue of such non-cumulative dollar preference shares.

Non-cumulative dividends will be payable (subject to the limitations described below) on the non-cumulative dollar preference shares at a fixed rate of 6.80% per annum of their liquidation preference of \$1,000.

### ***Declaration of Dividends***

Our board of directors or a committee thereof are required to declare and pay in full dividends on each series of our non-cumulative dollar preference shares on each dividend payment date, unless, in the opinion of our board of directors or a committee thereof, our distributable profits, after the payment in full, or the setting aside of a sum to provide for the payment in full, of all dividends stated to be payable on or before the relevant dividend payment date on any cumulative preference shares, are insufficient to cover the payment in full of dividends on that series of non-cumulative dollar preference shares and dividends on any of our other preference shares stated to be payable on the same date as the dividends on that series and ranking equally as to dividends with the non-cumulative dollar preference shares of that series. In that case, the board of directors or a committee thereof will declare and pay dividends to the extent of any distributable profits on a pro rata basis so that the amount of dividends declared per share on the non-cumulative dollar preference shares and other equally ranking preference shares will in all cases bear to each other the same ratio that accrued dividends per share on the non-cumulative dollar preference shares and such other equally ranking shares bear to each other. The UK Companies Act 1985 defines “distributable profits” as, in general terms, and subject to adjustment, accumulated realized profits less accumulated realized losses. If, in the opinion of our board of directors or a committee thereof, the payment of any dividend on any series of non-cumulative dollar preference shares would breach or cause a breach of the capital adequacy requirements of the UK Financial Services Authority applicable to us and/or any of our subsidiaries, then we will not pay any of such dividend.

If any dividend or part of a dividend on the non-cumulative dollar preference shares is not payable for the reasons described above, the board of directors or a committee thereof may, if applicable law permits, pay a special non-cumulative preferential dividend on the series of non-cumulative dollar preference shares at a rate not exceeding \$0.01 per share. However, under our Articles of Association no dividend shall be payable in contravention of the special rights attaching to any of our shares.

### ***Payment of Dividends***

Payments of dividends with respect to the non-cumulative dollar preference shares will be made to each of Euroclear and Clearstream, Luxembourg with respect to that portion of the global certificate held for its account.

Only the holder of the global certificate will be entitled to receive payments of dividends in respect of the non-cumulative dollar preference shares represented by that global certificate. The global certificate will initially be held by the common depositary. We will be discharged by payment to, or to the order of, the holder of the global certificate with respect to the amount so paid. Each of the persons on the records of Euroclear or Clearstream, Luxembourg as the holder of a beneficial interest must look solely to Euroclear and/or Clearstream, Luxembourg, as the case may be, for its share of such payment made by us to, or to the order of, the holder of the global certificate. No person other than the holder of the global certificate shall have any claim against us with respect to payments due on that global certificate.

If any dividend stated to be payable on the non-cumulative dollar preference shares on the most recent dividend payment date has not been declared and paid in full, or if we have not set aside a sum to provide for payment in full of such dividend, then we may not declare or pay dividends upon any other shares ranking equally with or after the non-cumulative dollar preference shares as to dividends and we may not set aside any sum for the payment of these dividends, unless, on the date of declaration of any such dividends, we set aside an amount equal to the dividend for the then-current dividend period payable on the non-cumulative dollar preference shares to provide for the payment in full of such dividend on the dividend payment date relating to the then-current dividend period.

If we have not declared and paid in full any dividend payable on the non-cumulative dollar preference shares or if we have not set aside a sum to provide for its payment in full, then we may not redeem, purchase or otherwise acquire for any consideration any of our other shares, and we may not set aside any sum or establish any sinking fund for the redemption, purchase or other acquisition of such other shares, until such time as a dividend stated to be payable on the non-cumulative dollar preference shares in respect of successive dividend periods which singly or together aggregate no less than 12 months shall thereafter have been declared and paid in full.

In addition, if we have not declared and paid in full, or if we have not set aside an amount to provide for the payment in full of, the dividend stated to be payable on any other equally ranking non-cumulative preference shares which are then outstanding, then:

- we may not declare or pay any dividends on the non-cumulative dollar preference shares, and we may not set aside any sum to pay such dividends, unless, on the date of declaration, we set aside an amount equal to the dividend on such other series of non-cumulative preference shares for the then-current dividend period to provide for the payment in full of such dividend on the next applicable dividend payment date; and
- we may not redeem, repurchase or otherwise acquire any non-cumulative dollar preference shares until such time as we have declared and paid in full dividends on such other series of non-cumulative preference shares in respect of successive then-current dividend periods which singly or together aggregate no less than 12 months.

If we must pay dividends on the non-cumulative dollar preference shares at a fixed rate for any period less than a full dividend period, the dividend for any such period will be computed on a “30/360 basis.” If the date for any payment on the non-cumulative dollar preference shares does not fall on a day when banks in London and New York are open for business (a “business day”), then such payment date will be the immediately preceding business day.

Any dividend which has remained unclaimed for 12 years from the date when it became due for payment will, if the board so resolves, be forfeited and will revert to us.

Dividends on the non-cumulative dollar preference shares of any series will be non-cumulative. If the board of directors or a committee thereof does not pay a dividend or any part of a dividend on a dividend payment date in respect of the non-cumulative dollar preference shares because it is not required to do so, then holders of non-cumulative dollar preference shares of the applicable series will have no claim in respect of such non-payment and we will have no obligation to pay the dividend accrued for that dividend period or to pay any interest on such dividend, whether or not dividends on the non-cumulative dollar preference shares of the series are declared for any future dividend period. The holders of non-cumulative dollar preference shares will have no right to participate in our profits.

### **Redemption**

Following the substitution of non-cumulative dollar preference shares for trust preferred securities, the non-cumulative dollar preference shares will be redeemable, at our option, in whole or in part, on any day that falls after the fifth anniversary of the issue date of such non-cumulative dollar preference shares, but no earlier than March 31, 2008. Any redemption of the non-cumulative dollar preference shares shall be made upon the giving of not less than 30 nor more than 60 days’ notice, at a redemption price equal to \$1,000 per non-cumulative dollar preference share plus the dividend otherwise payable for the then-current dividend period accrued to the redemption date.

Each notice of redemption will specify:

- the redemption date;
- the particular non-cumulative dollar preference shares of the series to be redeemed;
- the redemption price, specifying the amount of the accrued but unpaid dividend per share to be included and stating that dividends shall cease to accrue on redemption; and
- the place or places where holders may surrender documents of title and obtain payment of the redemption price.

If fewer than all of the outstanding non-cumulative dollar preference shares of a series are to be redeemed, our Articles of Association provide that, for the purposes of determining the particular non-cumulative dollar preference shares to be redeemed, we shall cause a drawing to be made in the presence of our independent auditors.

Under existing UK Financial Services Authority requirements, we may not redeem or purchase any non-cumulative dollar preference shares unless the UK Financial Services Authority consents in advance in writing. The UK Financial Services Authority may impose conditions on any redemption or purchase at the time it gives its consent.

If certain limitations contained in our Articles of Association, the special rights of any of our shares and the provisions of applicable law (including, without limitation, any applicable securities laws) permit, we may

at any time or from time to time purchase outstanding non-cumulative dollar preference shares of any series in the open market, by tender or by private agreement, in each case upon the terms and conditions that our board of directors or a committee thereof shall determine. Any non-cumulative dollar preference shares that we purchase for our own account will, pursuant to applicable law, be treated as cancelled and will no longer be issued and outstanding.

### **Liquidation Rights**

If we are wound up or liquidated, whether or not voluntarily, the holders of the non-cumulative dollar preference shares will be entitled to receive out of our surplus assets available for distribution to shareholders, after payment of arrears of dividends on the cumulative preference shares up to the date of payment, equally with our cumulative preference shares, any other series of non-cumulative preference shares then outstanding and all of our other shares ranking equally with the non-cumulative dollar preference shares as regards participation in our surplus assets, a distribution of \$1,000 per non-cumulative dollar preference share, together with an amount equal to dividends for the then-current dividend period accrued to the date of payment, before any distribution or payment may be made to holders of our ordinary shares or any other class of our shares ranking after the non-cumulative dollar preference shares. If the assets available for distribution are insufficient to pay in full the amounts payable with respect to the non-cumulative dollar preference shares and any of our other preference shares ranking equally as to any such distribution with the non-cumulative dollar preference shares, the holders of the non-cumulative dollar preference shares and other preference shares will share ratably in any distribution of our surplus assets (if any) in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount of the liquidation distribution to which they are entitled, the holders of the non-cumulative dollar preference shares will have no right or claim to any of our surplus assets and will not be entitled to any further participation in surplus assets. If the holders of the non-cumulative dollar preference shares are entitled to any recovery with respect to the non-cumulative dollar preference shares in any winding up or liquidation, they might not be entitled in such proceedings to a recovery in dollars and might be entitled only to a recovery in pounds sterling.

### **Voting Rights**

Holders of the non-cumulative dollar preference shares will not be entitled to receive notice of, attend or vote at any general meeting of our shareholders except as provided by applicable law or as described below.

If any resolution is proposed for adoption by our shareholders varying or abrogating any of the rights attaching to the non-cumulative dollar preference shares or proposing that we be wound up or liquidated, the holders of the non-cumulative dollar preference shares will be entitled to receive notice of and to attend the general meeting of shareholders at which the resolution is to be proposed and will be entitled to speak and vote on that resolution, but not on any other resolution. In addition, if, before any general meeting of shareholders, we have failed to pay in full the dividend payable on the non-cumulative dollar preference shares for the three most recent dividend periods, the holders of the non-cumulative dollar preference shares shall be entitled to receive notice of, attend, speak and vote at that meeting on all matters. In these circumstances only, the rights of the holders of non-cumulative dollar preference shares to vote shall continue until we have resumed the payment in full of dividends on the non-cumulative dollar preference shares for the three most recent dividend periods.

### **Form and Denomination**

The non-cumulative dollar preference shares will, when issued, be fully paid and, as such, will not be subject to a call for any additional payment. For each non-cumulative dollar preference share issued, an amount equal to its nominal value will be credited to our issued share capital account and an amount of \$999.99, being the difference between its issue price and its nominal value, will be credited to our share premium account.

The non-cumulative dollar preference shares will be represented by a single global certificate. The global certificate will be deposited with the common depositary. We may consider the common depositary one holder of the non-cumulative dollar preference shares so deposited for all purposes. If either or both of Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business a number of non-cumulative dollar preference shares corresponding to its book-entry interest in the non-cumulative dollar preference shares represented by the global certificate will be transferred to each holder of non-cumulative dollar preference shares, and each such holder will be registered as a holder of the non-cumulative dollar

preference shares in the register of members we maintain and will receive a certificate made out in such holder's name. Other than in the circumstances referred to in this paragraph, definitive share certificates will not be available to holders of non-cumulative dollar preference shares. Temporary documents of title will not be issued.

Title to non-cumulative dollar preference shares will pass by transfer and registration on the register for the non-cumulative dollar preference shares.

Each registration of transfer of non-cumulative dollar preference shares will be effected by entry on the register for the non-cumulative dollar preference shares of that series kept by our registrar at its office in the UK. See “—Registrar and Paying and Settlement Agent” below. Any registration of transfer will be effected without charge to the person requesting the registration, but the requesting person will be required to pay any related taxes, stamp duties or other governmental charges.

### **Variation of Rights**

If applicable law permits, the rights attached to any series of non-cumulative dollar preference shares may be varied or abrogated only with the written consent of the holders of 75% in nominal value of the outstanding non-cumulative dollar preference shares or with the sanction of an extraordinary resolution passed at a separate class meeting of the holders of the outstanding non-cumulative dollar preference shares of that series. An extraordinary resolution will be adopted if passed by 75% of those holders voting in person or by proxy at the meeting. The quorum required for any such class meeting will be two persons at least holding or representing by proxy one-third in nominal amount of the outstanding non-cumulative dollar preference shares affected, except at any adjourned meeting, where any two holders present in person or by proxy will constitute a quorum.

The written consent of the holders of 75% in nominal value of the outstanding non-cumulative dollar preference shares or the sanction of an extraordinary resolution passed at a separate class meeting of holders of the outstanding non-cumulative dollar preference shares will be required if our directors propose to authorize, create or increase the amount of any shares of any class or any security convertible into shares of any class ranking as regards rights to participate in our profits or assets, other than if we redeem or purchase the shares, in priority to non-cumulative dollar preference shares.

The rights attached to the dollar preference shares will not be deemed to be varied by the creation or issue of any further non-cumulative preference shares or any other further shares ranking equally as regards participation in our profits or assets with or junior to the non-cumulative dollar preference shares, whether carrying identical rights or different rights in any respect, including as to dividend, premium on a return of capital, redemption or conversion or denominated in dollars or any other currency.

### **Notices of Meetings**

We will cause a notice of any meeting at which holders of non-cumulative dollar preference shares are entitled to vote to be mailed to each registered holder of non-cumulative dollar preference shares. Each such notice will state:

- the date of the meeting;
- a description of any resolution to be proposed for adoption at the meeting on which those holders are entitled to vote; and
- instructions for the delivery of proxies.

A holder of non-cumulative dollar preference shares who is not registered with an address in the UK and who has not supplied an address within the UK to us for the purpose of notices is not entitled to receive notices of meetings. In addition, notices to holders of the non-cumulative dollar preference shares, including notices for general meetings of holders of the non-cumulative dollar preference shares, will be published in accordance with the operating procedures for the time being of Euroclear and Clearstream, Luxembourg and in English in a leading newspaper (which is expected to be the *Financial Times*) having general circulation in Europe that is published on each business day in morning editions, whether or not it is published on Saturday, Sunday or in holiday editions.

**Governing Law**

The creation and issuance of the non-cumulative dollar preference shares of any series and the rights attached to them shall be governed by and construed in accordance with Scots law.

**Registrar and Paying and Settlement Agent**

We will appoint a registrar and a paying and settlement agent (pursuant to an agency agreement) for the non-cumulative dollar preference shares at the time of issuance of such non-cumulative dollar preference shares. Notice of any such appointment or any change of registrar or agent will be given to holders of the non-cumulative dollar preference shares as described in “General Information—Notices.”

## US FEDERAL AND UK TAX CONSEQUENCES

The following summarizes certain US federal income tax and United Kingdom tax consequences relevant to the acquisition, ownership and disposition of trust preferred securities or partnership preferred securities by a beneficial owner of such securities that is a non-US holder (as defined below). As the law applicable to the taxation of instruments such as the trust preferred securities and the partnership preferred securities is technical and complex, the discussion below necessarily represents only a general summary. We advise you to satisfy yourself as to the tax consequences of the acquisition, ownership and disposition of trust preferred securities and partnership preferred securities by consulting your own tax advisers.

### US Tax Considerations

The following is a general discussion of the material US federal income tax consequences of the ownership and disposition of a trust preferred security or a partnership preferred security by a beneficial owner that, for US federal income tax purposes, is a non-resident alien individual or a foreign corporation (a “non-US holder”). Potential purchasers of trust preferred securities that are foreign partnerships, foreign estates, or foreign trusts (as defined for US federal income tax purposes) as well as the partners and beneficiaries of any foreign partnerships, foreign estates, or foreign trusts should consult their own tax advisers with respect to the US federal income tax consequences of the acquisition, ownership and disposition of trust preferred securities or partnership preferred securities.

For US federal income tax purposes, the trust will be treated as a grantor trust and the partnership will be treated as a partnership. Accordingly, neither the trust nor the partnership will be treated as a taxable entity for such purposes. A non-US holder who owns a trust preferred security will be treated as owning an undivided beneficial interest in its proportionate share of the partnership preferred securities held by the trust.

The partnership intends to operate such that it will not derive US source income or income effectively connected with the conduct of a trade or business in the United States for United States federal income tax purposes. Accordingly, subject to the discussion of backup withholding below, a non-US holder will not be subject to United States federal income tax, (including withholding tax) on any income in respect of the trust preferred securities, or on any gain realized by the non-US holder on the sale or exchange of trust preferred securities unless (i) such income or gain is effectively connected with the conduct of a trade or business by the non-US holder in the United States or (ii) in the case of gain realized by an individual non-US holder, the non-US holder is present in the United States for 183 days or more in the taxable year and certain other conditions are met.

In general, US information reporting and backup withholding will not apply to payments by the trust, us or our paying agent on the trust preferred securities held through a non-US bank or other non-US financial institution that is a participant of Euroclear or Clearstream, Luxembourg. Information reporting and backup withholding may apply, however, if a non-US holder does not comply with applicable certification procedures to establish that it is not a US person. Payments of sale proceeds made within the United States or through certain US-related financial intermediaries may be subject to information reporting and backup withholding unless the non-US holder complies with applicable certification procedures to establish that it is not a US person.

A non-US holder’s tax consequences from holding partnership preferred securities would be comparable to the consequences of holding trust preferred securities as described above.

### UK Tax Considerations

The comments below are of a general nature based on current law and practice as at the date hereof in the United Kingdom and do not constitute tax or legal advice. They are limited in scope and do not address all UK tax issues relevant to the acquisition, ownership and disposition of trust preferred securities, partnership preferred securities or non-cumulative dollar preference shares. Investors should note that, for most United Kingdom tax purposes, the trust preferred securities will be treated as transparent and investors will be treated as holding the corresponding partnership preferred securities. The comments below relate only to the position of persons who are the beneficial owners of their partnership preferred securities and may not apply to certain classes of persons such as dealers. Any holders who are in doubt as to their tax position in respect of the partnership preferred securities (and in respect of any exchange of partnership preferred securities into parent company preference shares), or who are subject to tax in a jurisdiction other than the United Kingdom, should consult their professional advisers.

### ***Classification of Partnership***

In assessing their tax position, investors should note that the Partnership is a Delaware limited partnership and is treated, for the purposes of United Kingdom income and corporation tax and tax on chargeable gains, as a transparent partnership (and not as a co-ownership arrangement).

### ***Distributions on the Partnership Preferred Securities***

Payments of distributions of the partnership preferred securities may be made without withholding on account of United Kingdom income tax.

Although the position is not free from doubt, it is possible that a payment under the subordinated guarantees may be subject to withholding taxes or duties in the United Kingdom, in which case we have undertaken, subject to certain exceptions, to pay additional amounts thereon.

### ***Stamp duty and stamp duty reserve tax ("SDRT")***

Although liability to United Kingdom stamp duty will arise on a transfer of partnership preferred securities or trust preferred securities which is executed in the United Kingdom or which relates, wherever executed, to any property situated in, or to any matter or thing done or to be done in, the United Kingdom, it is not likely that any such duty will need to be paid in practice.

No liability to SDRT will arise in respect of the issue of or agreements to transfer partnership preferred securities or trust preferred securities.

No stamp duty or SDRT will arise on delivery of any non-cumulative dollar preference shares to the common depositary in the event of substitution, provided that they are delivered to the common depositary in bearer form.

A transfer of or agreement to transfer parent company preference shares will attract stamp duty or SDRT at 0.5% of the consideration (rounded up in the case of stamp duty, if necessary, to the nearest £5).

### ***Proposed EU Savings Tax Directive***

The European Union is currently considering proposals for a new directive regarding the taxation of savings income. Subject to a number of important conditions being met, it is proposed that Member States will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State, subject to the right of certain Member States to opt instead for a withholding system for a transitional period in relation to such payments.

## GENERAL INFORMATION

The trust is a statutory trust created under the laws of Delaware on November 14, 2002. The Royal Bank of Scotland Group plc is a public limited company, incorporated under the laws of Great Britain and registered in Scotland.

### Luxembourg Paying and Transfer Agent

So long as any trust preferred securities are listed on the Luxembourg Stock Exchange and the rules of the exchange so require, the trust will maintain a paying and transfer agent in Luxembourg. Kredietbank S.A. Luxembourgeoise, at 43, Boulevard Royale, L-2955, Luxembourg is the initial paying and transfer agent in Luxembourg.

### Consents

The issue of the trust preferred securities has been authorized by resolution of the sponsor of the trust, RBSG Capital Corporation, dated November 26, 2002. The subordinated guarantees have been authorized by resolution of our board of directors or an authorized committee thereof on November 26, 2002.

### Listing

Application has been made to list the trust preferred securities on the Luxembourg Stock Exchange. In connection with the listing application, the legal notice relating to the issue of the trust preferred securities, the declaration of trust, and our memorandum and articles of association have been deposited with the *Greffier en Chef du Tribunal d'Arrondissement de et à Luxembourg*, where copies of these documents may be obtained on request. According to Chapter VI, Article 3, point A/II/2 of the Rules and Regulations of the Luxembourg Stock Exchange, securities listed thereon shall be freely transferable and therefore no transaction made on the Luxembourg Stock Exchange in respect of the trust preferred securities shall be cancelled.

### Notices

All notices to holders, including notice of any optional redemption or any change in the distribution rate payable on the trust preferred securities, will be published in a newspaper of general circulation in Luxembourg, which is expected to be to the *Luxemburger Wort*.

### Available Documents

Copies of the following documents are available for inspection and may be obtained at the specified office of the paying agent and the paying and transfer agent in Luxembourg:

- our memorandum and articles of association;
- our annual report on Form 20-F for the year ended December 31, 2001 (which also includes financial statements for the 2000 fiscal year) as filed with the SEC on April 12, 2002;
- our interim report and accounts for the six months ended June 30, 2002 as filed on Form 6-K with the SEC on August 7, 2002;
- this Offering Circular;
- the declaration of trust and certificate of trust of RBS Capital Trust B;
- the amended and restated declaration of trust of RBS Capital Trust B, including the form of trust preferred security;
- the limited partnership agreement and certificate of limited partnership of RBS Capital LP B;
- the amended and restated limited partnership agreement of RBS Capital LP B, including the form of partnership preferred security;
- the subordinated guarantee agreement with respect to the trust preferred securities; and
- the subordinated guarantee agreement with respect to the partnership preferred securities.

Copies of all reports prepared and filed in connection with this offering will be available at the office of the paying and transfer agent in Luxembourg. So long as any trust preferred securities remain outstanding and

listed on the Luxembourg Stock Exchange, copies of our most recent audited consolidated annual financial statements and unaudited semiannual interim consolidated financial statements will be made available free of charge at the office of the paying and transfer agent in Luxembourg. The Royal Bank of Scotland Group plc does not generally publish separate non-consolidated financial statements. Any such separately published non-consolidated financial statements will be made available free of charge at the office of the paying and transfer agent in Luxembourg for so long as any trust preferred securities remain outstanding and listed on the Luxembourg Stock Exchange.

The trust and the partnership will not prepare consolidated or non-consolidated financial statements. The trust will make available in Luxembourg any separate financial information about it made publicly available in the United Kingdom, the United States or elsewhere.

#### **Auditors and Reporting Accountants**

Our auditors are Deloitte & Touche, chartered accountants and registered auditors in the United Kingdom. The address of our auditors is 39 George Street, Edinburgh EH2 2HZ, Scotland. The consolidated balance sheets as of December 31, 2001 and 2000 and the consolidated profit and loss accounts, statement of total recognized gains and losses, reconciliation of movements in consolidated shareholders' funds and consolidated cash flow statements for the years ended December 31, 2001 and 2000 and the fifteen months ended December 2000 are included in our Annual Report on Form 20-F for the year ended December 31, 2001, which is incorporated by reference in this Offering Circular. In incorporating these financial statements, we have relied on the reports of Deloitte & Touche, independent chartered accountants, in 2001 and 2000.

#### **Significant Change and Litigation**

There has been no material adverse change in our financial position since December 31, 2001 or in the trust's financial position since it was created on November 14, 2002. Neither we nor the trust is involved in any litigation or arbitration proceedings relating to claims or amounts which are material in the context of the issue of the trust preferred securities nor, so far as we are aware, is any such litigation or arbitration pending or threatened.

#### **Clearing and Settlement Systems**

The trust preferred securities have been accepted for clearance in book-entry form by Euroclear and Clearstream, Luxembourg. The ISIN for the trust preferred securities is XS0159056208 and the Common Code is 015905620.

## PLAN OF DISTRIBUTION

Under the terms and subject to the conditions of an underwriting agreement, dated November 26, 2002, each manager named below has severally agreed to purchase from the trust and the trust has agreed to sell to such manager, the aggregate liquidation amount of trust preferred securities set forth opposite the name of such manager below.

<u>Manager</u>	<u>Aggregate Liquidation Preference of Trust Preferred Securities</u>
Merrill Lynch International . . . . .	\$187,500,000
Goldman Sachs International . . . . .	187,500,000
The Royal Bank of Scotland plc . . . . .	187,500,000
UBS AG, acting through its business group UBS Warburg . . . . .	187,500,000
	<hr/>
Total . . . . .	\$750,000,000
	<hr/>

The managers are obligated to take and pay for the total number of trust preferred securities offered hereby, if any such trust preferred securities are purchased.

If you receive this Offering Circular, then you must comply with the applicable laws and regulations of the place where you (i) purchase, offer, sell or deliver the trust preferred securities or (ii) possess, distribute or publish any offering material relating to the trust preferred securities. Your compliance with these laws and regulations will be at your own expense.

The trust preferred securities have been accepted for clearance in book-entry form by Euroclear and Clearstream, Luxembourg. The Common Code for the trust preferred securities is 015905620 and the ISIN is XS0159056208.

We will pay expenses, excluding the managers' fees and commissions, estimated at \$750,000 in connection with the offering.

Because the trust will invest the proceeds from the sale of the trust preferred securities in the partnership preferred securities issued by the partnership, the underwriting agreement provides that we and the trust will pay an underwriting commission of \$20 per trust preferred security (or \$15,000,000 for all trust preferred securities) to the managers.

The trust preferred securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S) except pursuant to an exemption from the registration requirements of the Securities Act.

Each of the managers has agreed that prior to the expiration of the distribution compliance period (as defined in Regulation S under the Securities Act) it shall send a confirmation or other notice to each subsequent purchaser to the effect and in substantially the form of the following:

"The securities covered hereby have not been registered under the US Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, US persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date of the offering, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S under the Securities Act."

The managers propose to offer the trust preferred securities in transactions not requiring registration under the Securities Act or applicable state securities laws. The managers will not offer or sell the trust preferred securities except outside the United States to non-US persons (as defined in Regulation S) in compliance with, and reliance on, Regulation S under the Securities Act.

Each investor in the trust preferred securities offered hereby will be deemed to have represented and agreed that such investor understands that the trust preferred securities have not been registered under the Securities Act and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, any US person, unless the trust preferred securities are registered under the Securities Act or an exemption from the registration requirements thereof is available. Each manager has agreed that, except as

permitted by the underwriting agreement, it will not offer, sell or deliver the trust preferred securities, (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the Offering and the closing date, within the United States or to US persons, and it will have sent to each dealer to which it sells the trust preferred securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the trust preferred securities within the United States or to, or for the account or benefit of, US persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The trust preferred securities issued by the trust will initially be offered at a price of \$1,000 per trust preferred security. If all the trust preferred securities are not sold at the offering price, the managers may change the offering price and other selling terms.

In connection with this issue, Merrill Lynch International (the “Stabilizing Manager”) (or any person acting for the Stabilizing Manager) may over-allot or effect transactions which stabilize or maintain the market price of the trust preferred securities at a level which might not otherwise prevail for a limited period. However, there is no obligation on the Stabilizing Manager (or any agent of the Stabilizing Manager) to do this. Such stabilizing, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilizing shall be in compliance with all applicable laws, regulations and rules.

Application has been made to list the trust preferred securities on the Luxembourg Stock Exchange. Prior to this offering, there has been no market for the trust preferred securities.

The managers or their affiliates have performed investment banking and advisory services for us from time to time for which they have received customary fees and expenses. The managers may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business.

## SELLING AND TRANSFER RESTRICTIONS

### General

Some jurisdictions may have restrictions on the distribution of this Offering Circular and the offer of the trust preferred securities in such jurisdictions. Because no action has been taken to permit a public offer of the trust preferred securities or the possession or distribution of this Offering Circular in any jurisdiction, the trust preferred securities may not be offered or sold and this Offering Circular may not be distributed except in accordance with the legal requirements applicable in such jurisdiction.

We, the trust and the managers require persons possessing this Offering Circular to inform themselves of and observe these restrictions. Neither we nor the trust accepts any legal responsibilities for any violation by any person, whether or not a prospective purchaser of the trust preferred securities.

This Offering Circular is not an offer to sell or a solicitation of an offer to buy any security other than the trust preferred securities. It does not constitute an offer to sell or a solicitation of an offer to buy any of the trust preferred securities to any person in any jurisdiction in which it is unlawful to make such an offer or solicitation to such person.

### United States

The trust preferred securities offered hereby are being offered only outside the United States in accordance with Regulation S under the Securities Act. Terms used in this section that are defined in Regulation S under the Securities Act are used herein as defined therein. The trust preferred securities have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction within the United States and, accordingly, may not be offered, sold or delivered within the United States unless registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. The trust preferred securities are being offered and sold only outside the United States in accordance with Regulation S.

In addition, until 40 days after the closing of the offering, any offer or sale of the trust preferred securities that is made within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Each purchaser of trust preferred securities outside the United States pursuant to Regulation S and each subsequent purchaser of such trust preferred securities in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Offering Circular and the trust preferred securities, will be deemed to have represented, agreed and acknowledged that:

- It is, or at the time the trust preferred securities are purchased will be, the beneficial owner of such trust preferred securities and (a) it is not a US person and it is located outside the United States (within the meaning of Regulation S) and (b) it is neither our affiliate, nor owns, nor is a person acting on behalf of, such an affiliate.
- It understands that such trust preferred securities and the subordinated guarantees have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such trust preferred securities except in a transaction that is exempt from the registration requirements of Section 5 of the Securities Act.
- We, the trustees, the managers and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

### Information for Investors Outside the United States

#### *United Kingdom*

No trust preferred securities are being offered to the public in the UK using this Offering Circular. Each manager has represented and agreed that:

(a) it has not offered or sold and, prior to the expiry of the period of six months from the issue date, it will not offer or sell any trust preferred securities or any investments representing such trust preferred securities to persons in the UK except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or

otherwise in circumstances which have not resulted and will not result in an offer to the public in the UK within the meaning of the Public Offers of Securities Regulations 1995;

(b) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the “FSMA”) with respect to anything done by it in relation to the trust preferred securities or any investments representing trust preferred securities in, from or otherwise involving the UK; and

(c) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the securities or any investments representing the trust preferred securities in circumstances in which Section 21(1) of the FSMA does not apply to us or the trust.

### ***The Netherlands***

Each manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell in the Netherlands any trust preferred securities with an aggregate liquidation preference of less than €50,000 (or its foreign currency equivalent) other than to persons who trade or invest in securities in the conduct of a profession or business (which include banks, stockbrokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises) unless one of the other exemptions from or exceptions to the prohibition contained in article 3 of the Dutch Securities Transactions Supervision Act 1995 (*Wet toezicht effectenverkeer* 1995) is applicable and the conditions attached to such exemptions or exception are complied with.

### ***Singapore***

Each manager acknowledges that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each manager has severally represented and agreed that it will not offer or sell the trust preferred securities, nor will it make the trust preferred securities the subject of an invitation for subscription or purchase, nor will it circulate or distribute this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the trust preferred securities, whether directly or indirectly, to the public or any member of the public in Singapore other than (a) to an institutional investor or other person specified in Section 274 of the Securities and Futures Act 2001 of Singapore (the “Singapore Securities and Futures Act”), (b) to a sophisticated investor, and in accordance with the conditions, specified in Section 275 of the Singapore Securities and Futures Act or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Singapore Securities and Futures Act.

### ***Hong Kong***

Each manager has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any trust preferred securities other than (i) to persons whose ordinary business it is to buy or sell shares or debentures (whether as principal or agent) or (ii) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong; and

(b) unless permitted to do so under the securities laws of Hong Kong, it has not issued, or had in its possession for the purposes of issue, and will not issue, or have in its possession for the purposes of issue, any advertisement, invitation or document relating to the trust preferred securities other than with respect to trust preferred securities intended to be disposed of to persons outside Hong Kong or to be disposed of in Hong Kong only to persons whose business involves the acquisition, disposal or holding of securities, whether as principal or agent.

### **General**

No action has been or will be taken in any country or any jurisdiction by any manager or us that would permit a public offering of the trust preferred securities, or possession or distribution of this Offering Circular or any other offering or publicity material relating to the trust preferred securities, in any country or jurisdiction where action for that purpose is required. Each manager has agreed to comply, to the best of its knowledge and belief, with all applicable laws and regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers trust preferred securities or has in its possession or distributes this Offering Circular or any such other material relating to the trust preferred securities, in all cases at its own expense.

**THE TRUST**

**RBS Capital Trust B**

c/o RBSG Capital Corporation  
Citizens Bank  
One Citizens Plaza  
Providence  
Rhode Island 02903-1339  
U.S.A.

**THE GUARANTOR**

**The Royal Bank of Scotland Group plc**

42 St. Andrew Square  
Edinburgh EH2 2YE  
Scotland

**AUDITORS TO THE GUARANTOR**

**Deloitte & Touche**

39 George Street  
Edinburgh EH2 2HZ  
Scotland

**LEGAL ADVISERS TO THE TRUST AND THE GUARANTOR**

<i>As to English law</i>	<i>As to Delaware law</i>	<i>As to New York and US</i>	<i>As to Scots Law</i>
<b>Freshfields Bruckhaus Deringer</b>	<b>Richards, Layton &amp; Finger, P.A.</b>	<i>federal law</i> <b>Davis Polk &amp; Wardwell</b>	<b>Dundas &amp; Wilson C.S.</b>
65 Fleet Street London EC4Y 1HS England	One Rodney Square P.O. Box 551 Wilmington, Delaware 19899 U.S.A.	99 Gresham Street London EC2V 7NG England	Saltire Court 20 Castle Street Edinburgh EH1 2EN Scotland

**LEGAL ADVISERS TO THE MANAGERS**

<i>As to US law</i>	<i>As to English law</i>
<b>Sidley Austin Brown &amp; Wood</b>	<b>Clifford Chance</b>
Princes Court 7 Princes Street London EC2R 8AQ England	<b>Limited Liability Partnership</b> 200 Aldersgate Street London EC1A 4JJ England

**LUXEMBOURG LISTING, PAYING AND TRANSFER AGENT**

**Kredietbank S.A. Luxembourgeoise**

43, Boulevard Royale  
L-2955 Luxembourg

**PROPERTY TRUSTEE,  
GUARANTEE TRUSTEE,  
REGISTRAR AND  
TRANSFER AGENT**

**The Bank of New York**  
101 Barclay Street  
New York, New York 10286  
U.S.A.

**PAYING AGENT  
The Bank of New York,  
London Branch**

One Canada Square  
London E14 5AL  
England

**DELAWARE TRUSTEE  
The Bank of New York  
(Delaware)**

White Clay Center  
Newark, Delaware 19711  
U.S.A.



## **RBS Capital Trust B**

US\$750,000,000

6.80% Non-Cumulative Trust Preferred Securities

having the benefit of a subordinated guarantee of

**The Royal Bank of Scotland Group plc**

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### **OFFERING CIRCULAR**

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**Merrill Lynch International**

*(Structuring Adviser)*

**Goldman Sachs International**

**The Royal Bank of Scotland**

**UBS Warburg**

November 26, 2002