

The Royal Bank of Scotland Group plc

(a public limited company incorporated under the laws of Scotland with registered number 45551)

1,250,000 Non-cumulative Euro Preferred Securities of €0.01 each, Series 2

Issue price: €1,000 per Series 2 Euro Preferred Security

The Royal Bank of Scotland Group plc (the “**Company**”) is issuing 1,250,000 Non-cumulative Euro Preferred Securities, Series 2 (“**Series 2 Euro Preferred Securities**”).

Dividends on the Series 2 Euro Preferred Securities will accrue from the date of issue. The Company will (subject as provided herein) pay dividends out of its distributable profits in Euro annually in arrear on 30 June in each year beginning on 30 June 2006 at an annual rate of 5.25 per cent. of the liquidation preference of €1,000 per Series 2 Euro Preferred Security. Provided that the United Kingdom (“**UK**”) Financial Services Authority does not object, the Company may redeem the Series 2 Euro Preferred Securities in whole on 31 March, 30 June, 30 September or 31 December in each year commencing on or after 30 June 2010 at €1,000 per Series 2 Euro Preferred Security plus accrued dividends for the then current dividend period.

If the Company is liquidated, each holder of Series 2 Euro Preferred Securities will be entitled to receive a liquidation preference of €1,000 per Series 2 Euro Preferred Security plus accrued dividends for the then current dividend period, but only after the Company has paid all of its debts and other liabilities to its creditors and to holders of other securities that expressly are senior to the Series 2 Euro Preferred Securities.

Application has been made for all the Series 2 Euro Preferred Securities to be listed on Eurolist by Euronext Amsterdam N.V. (“**Euronext, Amsterdam**”). This Offering Circular constitutes a prospectus for the purposes of the application for listing on Euronext, Amsterdam.

Investing in the Series 2 Euro Preferred Securities involves certain risks. See “Investment Considerations” beginning on page 12. Investors should note, without limitation, that the Series 2 Euro Preferred Securities have no fixed date for repayment, being perpetual in nature.

The Series 2 Euro Preferred Securities will be in bearer form and will be represented by a single global certificate. The single global certificate evidencing the Series 2 Euro Preferred Securities will be deposited with Clearstream Banking AG, Frankfurt (“**Clearstream, Frankfurt**”). The Series 2 Euro Preferred Securities will also be eligible for clearing and settlement in Euroclear Bank S.A./N.V. as operator of the Euroclear System (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”, together with Euroclear and Clearstream, Frankfurt, the “**Clearing Systems**”) on or about 28 June 2005 (the “**Closing Date**”).

BNP PARIBAS Deutsche Bank The Royal Bank of Scotland UBS Investment Bank

The Company accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Company (which has taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person has been authorised to give any information or to make any representation other than as contained in this Offering Circular and, if given or made, such information or representation must not be relied upon as having been authorised by the Company or the Managers (as defined under “Subscription and Sale” below). Neither the delivery of this Offering Circular nor any subscription, sale or purchase made in connection herewith shall, in any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof. This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “Documents Incorporated by Reference” below). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

Prospective investors should inform themselves as to the legal requirements and tax consequences within the countries of their residence and domicile for the acquisition, holding or disposal of Series 2 Euro Preferred Securities and any foreign exchange restrictions that might be relevant to them. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of, the Company or the Managers to subscribe for or purchase any of the Series 2 Euro Preferred Securities.

Investors should satisfy themselves that they understand all the risks associated with making investments in the Series 2 Euro Preferred Securities. If a prospective investor is in any doubt whatsoever as to the risks involved in investing in the Series 2 Euro Preferred Securities, he or she should consult his or her professional advisers. See “Investment Considerations” for further details of such risks. The Managers have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers or any of them as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Company in connection with the Series 2 Euro Preferred Securities or their distribution.

The distribution of this Offering Circular and the offering of the Series 2 Euro Preferred Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Company and the Managers to inform themselves of, and to observe, any such restrictions.

No action has been taken in any jurisdiction (other than The Netherlands) to permit a public offering of the Series 2 Euro Preferred Securities. Accordingly, the Series 2 Euro Preferred Securities may not be offered or sold, directly or indirectly and this Offering Circular may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in that jurisdiction. In particular, the Series 2 Euro Preferred Securities have not been, and will not be, registered under the United States 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 (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. A further description of certain restrictions on the offering and sale of the Series 2 Euro Preferred Securities and on the distribution of this Offering Circular is given under “Subscription and Sale” below.

In connection with the issue of the Series 2 Euro Preferred Securities, UBS Limited (the “**Stabilising Manager**”) (or any person acting for the Stabilising Manager) may over-allot (provided that the aggregate principal amount of the Series 2 Euro Preferred Securities does not exceed 105 per cent. of the aggregate principal amount of the issue) or effect transactions with a view to supporting the market price of the Series 2 Euro Preferred Securities at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager (or any agent of the Stabilising Manager) to do this. Any stabilisation action may begin at any time after the adequate public disclosure of the final terms of the offer of the Series 2 Euro Preferred Securities, and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue of the Series 2 Euro Preferred Securities and 60 days after the date of the allotment of the Series 2 Euro Preferred Securities. Such stabilising shall be in compliance with all applicable laws, regulations and rules. When conducted by Dutch persons or entities anywhere in the world or by non-Dutch persons or entities in The Netherlands, such stabilising will be conducted in accordance with the rules of the Further Conduct of Business Regulation to the Dutch Securities Market Supervision Act (*Nadere Regeling gedragstoezicht effectenverkeer 2002*) and will in any event be discontinued within 30 days after the Closing Date. Stabilisation transactions conducted on the stock market of Euronext, Amsterdam must be conducted by a member of Euronext, Amsterdam.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, the Offering Circular:

- (1) the published annual audited consolidated financial statements of the Company for the years ended 31 December 2004 and 31 December 2003;
- (2) the IFRS Transition Report issued by the Company on 8 June 2005 (the “**IFRS Transition Report**”); and
- (3) the articles of association of the Company.

The Company will, at the specified offices of The Bank of New York (the “**Principal Paying Agent**”), provide, free of charge, upon oral or written request, a copy of this Offering Circular (or any document incorporated by reference in this Offering Circular). Written or oral requests for such documents should be directed to the Company or The Bank of New York at their principal offices set out at the end of this Offering Circular. In addition, such documents will be available from the offices of Deutsche Bank Aktiengesellschaft and ING Bank N.V., each in its capacity as paying agent (a “**Paying Agent**”) (together with the Principal Paying Agent, the “**Paying Agents**”).

PRESENTATION OF FINANCIAL INFORMATION

The financial information relating to the Company as set out in this Offering Circular in respect of the years ended 31 December 2004, 2003 and 2002 has been extracted without material adjustment from the Company’s audited financial statements for the years ended 31 December 2004, 2003 and 2002, respectively, which were prepared in accordance with accounting principles generally accepted in the United Kingdom. The Company will publish its financial statements for periods subsequent to 31 December 2004 in accordance with International Financial Reporting Standards (“**IFRS**”). The IFRS Transition Report referred to above contains a restatement of certain financial information for the year ended 31 December 2004 in accordance with IFRS. The information in the IFRS Transition Report is based on IFRS expected to be applicable at 31 December 2005. IFRS currently in issue, and adopted by the EU, are subject to interpretation issued from time to time by the International Financial Reporting Interpretation Committee. Further IFRS or interpretations may be issued during 2005, which may also be applicable for 2005. In addition, as market practice develops in respect of IFRS, alternative interpretations and applications of IFRS may result.

SUMMARY

*The following summary should be read together with the more detailed information regarding the Company and its subsidiaries (the “**RBS Group**” or the “**Group**”), the Series 2 Euro Preferred Securities being sold in this offering and the financial information included elsewhere in this Offering Circular.*

The Group

The Royal Bank of Scotland Group plc is a public limited company incorporated on 25 March 1968 in Scotland under the Companies Act 1985 and 1989 with registration number 45551. The Group is a diversified financial services group engaged in a wide range of banking, financial and finance-related activities in the UK and internationally. The Group’s operations are principally centred in the UK.

The Issue

Issuer	The Royal Bank of Scotland Group plc.
Issue size	1,250,000 Non-cumulative Euro Preferred Securities of liquidation preference €1,000 each.
Issue price	€1,000 per Series 2 Euro Preferred Security, payable only in cash.
Use of proceeds	The proceeds of the offering will be used for general corporate purposes and to strengthen the Group’s regulatory capital base. See “Use of Proceeds”.
Dividends	<p>Non-cumulative preferential dividends will accrue on the Series 2 Euro Preferred Securities from the date they are issued at an annual rate of 5.25 per cent. of the liquidation preference of €1,000 per Series 2 Euro Preferred Security. Dividends will be payable (subject as provided herein) annually in arrear on 30 June in each year to Clearstream, Frankfurt, for the benefit of holders through Clearstream, Frankfurt, Euroclear and Clearstream, Luxembourg. Payments of less than €0.01 will be rounded upwards.</p> <p>The effective yield per Series 2 Euro Preferred Security is 5.25 per cent. per annum.</p> <p>The Company expects to pay the first dividend on 30 June 2006 which shall amount to €52.79 per Series 2 Euro Preferred Security in respect of the period from (and including) the Closing Date to (but excluding) 30 June 2006. The dividend payable on each other scheduled dividend payment date will be €52.50 per Series 2 Euro Preferred Security. The Company’s obligation to pay dividends is subject to (i) the sole and absolute discretion of the board of directors of the Company (the “Board of Directors”) and/or (ii) the requirements of applicable law, sufficiency of distributable profits and payment of dividends not causing a breach of the UK Financial Services Authority’s capital adequacy provisions.</p> <p>The Series 2 Euro Preferred Securities will rank junior as to dividends to the Company’s cumulative preference shares and equally as to dividends with the Company’s other non-cumulative preference shares. See “Description of the Series 2 Euro Preferred Securities — Dividends”.</p>
Dividend stopper	If dividends are not paid on the Series 2 Euro Preferred Securities as a consequence of the exercise by the Directors of their discretion not to pay the relevant dividend, then the right of the holders of the Series 2 Euro Preferred Securities to receive a dividend will be lost. In such a case the Company shall not pay dividends or any other distributions on its ordinary shares or on any other class of share capital or securities issued by it and expressed to rank junior to the Series 2 Euro Preferred Securities until such time as dividends on the Series 2 Euro Preferred Securities in respect of successive dividend periods together aggregating no less than 12 months shall have been declared and paid in full.

	<p>If dividends are not paid on the Series 2 Euro Preferred Securities as a result of insufficiency of distributable funds or restrictions imposed by capital adequacy requirements, then the right of the holders of the Series 2 Euro Preferred Securities to receive a dividend from the Company will be lost. In such a case the Company will not pay dividends or other distributions on its ordinary shares or any other class of share capital or securities issued by it and expressed to rank junior to or equal with the Series 2 Euro Preferred Securities until such time as dividends on the Series 2 Euro Preferred Securities in respect of successive dividend periods together aggregating no less than 12 months shall have been declared and paid in full.</p>
Capital stopper	<p>If dividends are not paid on the Series 2 Euro Preferred Securities as a consequence of the exercise by the Directors of their discretion not to pay the relevant dividend, then the Company may not redeem, purchase or otherwise acquire for any consideration any of its shares expressed to rank junior to the Series 2 Euro Preferred Securities, and may not set aside any sum nor establish any sinking fund for the redemption, purchase or other acquisition thereof, until such time as dividends on the Series 2 Euro Preferred Securities in respect of successive dividend periods together aggregating no less than 12 months shall have been declared and paid in full.</p> <p>If dividends are not paid on the Series 2 Euro Preferred Securities as a result of insufficiency of distributable funds or restrictions imposed by capital adequacy requirements, then the Company may not redeem, purchase or otherwise acquire for any consideration any of its other shares, and the Company 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 dividends on the Series 2 Euro Preferred Securities in respect of successive dividend periods together aggregating no less than 12 months shall have been declared and paid in full.</p>
Rights upon liquidation	<p>If the Company is wound up or liquidated, holders of the Series 2 Euro Preferred Securities will be entitled to receive €1,000 per Series 2 Euro Preferred Security, payable by the Company out of surplus assets available for distribution to its shareholders.</p> <p>The Series 2 Euro Preferred Securities have liquidation rights which rank junior to the Company's cumulative preference shares but equally with the Company's other non-cumulative preference shares as to entitlement to dividends due for payment after the date of commencement of liquidation and any other dividend payable in respect of the period from the preceding dividend payment date to the date of payment.</p> <p>Subject to the foregoing, the Series 2 Euro Preferred Securities rank equally with the Company's cumulative preference shares, as regards entitlement to a sum equal to the amount paid up or credited as paid up on the Series 2 Euro Preferred Securities. See "Description of the Series 2 Euro Preferred Securities — Rights Upon Liquidation".</p>
Optional redemption	<p>Provided that the UK Financial Services Authority does not object, the Company may redeem the Series 2 Euro Preferred Securities, at its option, in whole on 31 March, 30 June, 30 September or 31 December in each year commencing on or after 30 June 2010, provided in each case that the Company gives at least 30 days' but not more than 60 days' notice. If the Company were to exercise this option, it would redeem each Series 2 Euro Preferred Security at a redemption price of €1,000 plus the dividends accrued and payable for the then-current dividend period. See "Description of the Series 2 Euro Preferred Securities — Redemption".</p>

Voting rights	<p>Holders of Series 2 Euro Preferred Securities will only be entitled to vote at general meetings of the Company's shareholders in certain limited circumstances, including (1) where the rights of holders of the Series 2 Euro Preferred Securities may be varied or abrogated, (2) where a resolution has been proposed for a winding-up or liquidation and (3) where the Company has failed to pay in full the dividend on the Series 2 Euro Preferred Securities for the most recent period. See "Description of the Series 2 Euro Preferred Securities — Voting Rights".</p>
Form of the Series 2 Euro Preferred Securities	<p>The Series 2 Euro Preferred Securities will constitute a class of preference share capital in the Company, will be represented by a share warrant to bearer and will be in the form of a single global certificate (the "Global Certificate"), which will be deposited with Clearstream, Frankfurt. Beneficial interests in the Global Certificate will be evidenced by, and transfers thereof will be effected only through, records maintained by the participants in Clearstream, Frankfurt, Euroclear and Clearstream, Luxembourg.</p> <p>If one or more of Clearstream, Frankfurt, 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, each holder of a beneficial interest in the Global Certificate shall have transferred to it a number of Series 2 Euro Preferred Securities corresponding to its book-entry interest in the Series 2 Euro Preferred Securities represented by the Global Certificate, in the form of share warrants to bearer within 30 days of such closure or announcement. Definitive share certificates will not be available to holders of Series 2 Euro Preferred Securities unless share warrants to bearer are presented to the Company's registrar at its office in the UK for exchange — see "Description of the Series 2 Euro Preferred Securities — Form and Denomination". Transfers, or agreements to transfer, Series 2 Euro Preferred Securities in registered form will be subject to UK stamp duty or stamp duty reserve tax — see "Taxation".</p>
Rating	<p>The Series 2 Euro Preferred Securities are expected, on issue, to be rated "A1" by Moody's Investors Service, Inc., "A" by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. and "AA-" by Fitch Ratings Inc. A security rating is not a recommendation to buy, sell or hold securities and may be subject to supervision, reduction or withdrawal at any time by the assigning rating agency.</p>
Listing	<p>Application has been made for admission to listing of the Series 2 Euro Preferred Securities on Eurolist by Euronext Amsterdam N.V. It is expected that admission to listing will become effective and dealings are expected to commence on 28 June 2005.</p>
Settlement	<p>The Series 2 Euro Preferred Securities will be cleared through Clearstream, Frankfurt, Euroclear and Clearstream, Luxembourg. Series 2 Euro Preferred Securities deposited with Clearstream, Frankfurt, and credited to the respective securities accounts of purchasers in Clearstream, Frankfurt, Euroclear or Clearstream, Luxembourg against payment to Clearstream, Frankfurt, Euroclear or Clearstream, Luxembourg (as the case may be) will be held in accordance with the terms and conditions governing use of Clearstream, Frankfurt, Euroclear and Clearstream, Luxembourg, respectively.</p>
Governing law	<p>The creation and issuance of the Series 2 Euro Preferred Securities and the rights attached to them will be governed by, and construed in accordance with, the laws of Scotland.</p>

DESCRIPTION OF THE SERIES 2 EURO PREFERRED SECURITIES

General

The Series 2 Euro Preferred Securities constitute a class of preference share capital in the Company and will be represented by a share warrant to bearer in the form of the Global Certificate. The Global Certificate will be deposited with Clearstream, Frankfurt. Beneficial interests in the Global Certificate will be evidenced by and transfers thereof will be effected only through, records maintained by the participants in Clearstream, Frankfurt, Euroclear and Clearstream, Luxembourg. Beneficial interests in the Global Certificate will be transferable only in accordance with the rules and procedures of Clearstream, Frankfurt, Euroclear or Clearstream, Luxembourg, as the case may be.

Pre-emptive Rights

Holders of Series 2 Euro Preferred Securities will have no pre-emptive rights.

Dividends

Non-cumulative preferential dividends on the Series 2 Euro Preferred Securities will accrue from the date the Company issues the Series 2 Euro Preferred Securities. Subject to the limitations set forth below, the Company will pay these dividends annually in arrear on, and to the holders of record 15 days prior to 30 June of each year (“**Dividend Payment Date**”), beginning on 30 June 2006. The Company will pay dividends when, as and if declared by the Board of Directors or an authorised committee of the Board of Directors (the “**Committee**”). If any date on which dividends are payable on the Series 2 Euro Preferred Securities is not a day on which TARGET is operating and on which banks in London are open for business, and on which foreign exchange dealings may be conducted in Euro (a “**Euro Business Day**”), then payment of the dividend payable on such date will be made on the succeeding Euro Business Day and without any interest or other payment in respect of such delay unless such day shall fall within the next calendar month whereupon such payment will be made on the preceding Euro Business Day; for these purposes “TARGET” means the Trans-European Real-Time Gross Settlement Express Transfer (TARGET) system.

Declaration of Dividends

The Board of Directors or the Committee (i) may in its sole and absolute discretion resolve prior to any Dividend Payment Date that such dividend shall not be paid or (ii) may declare and pay in full dividends on Series 2 Euro Preferred Securities on each Dividend Payment Date if, in the opinion of the Board of Directors or the Committee, the distributable profits of the Company are sufficient to cover the payment in full of dividends on the Series 2 Euro Preferred Securities and also the payment in full of all other dividends stated to be payable on such date on any other equally ranking preference shares, after payment in full, or the setting aside of a sum to cover the payment in full, of all dividends stated to be payable on or before such date on any of the Company’s cumulative preference shares (and any arrears of dividends thereon). If, in the opinion of the Board of Directors or the Committee, the payment of any dividend on any Series 2 Euro Preferred Securities would breach or cause a breach of the capital adequacy requirements of the UK Financial Services Authority that apply at that time to the Company and/or any of the Company’s subsidiaries, then no dividend shall be declared or paid.

The Companies Act 1985 (the “**Act**”) defines “distributable profits” as, in general terms, and subject to adjustment, accumulated realised profits less accumulated realised losses.

If any dividend on the Series 2 Euro Preferred Securities is not payable for the reasons described in (ii) above, then the Board of Directors or the Committee may, if applicable law permits, pay a special non-cumulative preferential dividend on the Series 2 Euro Preferred Securities at a rate not exceeding €0.01 per share. However, under the Company’s articles of association, no dividend shall be payable in contravention of the special rights attaching to any of the Company’s other shares.

Dividends on the cumulative preference shares issued by the Company, including any arrears, are payable in priority to any dividends on the Series 2 Euro Preferred Securities, and as a result, the Company may not pay any dividend on the Series 2 Euro Preferred Securities unless the Company has declared and paid in full dividends on such cumulative preference shares, including any arrears.

Payment of Dividends

The Company will pay dividends on Series 2 Euro Preferred Securities out of its distributable profits in Euros, at the rate per annum of 5.25 per cent. of the liquidation preference of €1,000 per Series 2 Euro Preferred

Security. The dividend on each Series 2 Euro Preferred Security will therefore amount to €52.50 per annum, and will amount to €52.79 per Series 2 Euro Preferred Security in respect of the period from (and including) the Closing Date to (but excluding) the first Dividend Payment Date, being 30 June 2006. Payments of dividends with respect to the Series 2 Euro Preferred Securities will be made to each of Euroclear and Clearstream, Luxembourg with respect to that portion of the Global Certificate held for its account.

The holder of the Global Certificate shall be the only person entitled to receive payments of dividends in respect of the Series 2 Euro Preferred Securities represented by that Global Certificate. The Global Certificate will initially be held by Clearstream, Frankfurt. The Company 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 Clearstream, Frankfurt, Euroclear or Clearstream, Luxembourg as the holder of a beneficial interest must look solely to Clearstream, Frankfurt, Euroclear and/or Clearstream, Luxembourg, as the case may be, for its share of such payment made by the Company 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 the Company with respect to payments due on that Global Certificate.

Dividends on the Series 2 Euro Preferred Securities will be non-cumulative. If the Company's Board of Directors or the Committee does not pay a dividend payable on a Dividend Payment Date in respect of the Series 2 Euro Preferred Securities, then holders of Series 2 Euro Preferred Securities will have no claim in respect of the non-payment. Except as described in this Offering Circular, the holders of the Series 2 Euro Preferred Securities will have no right to participate in the Company's profits.

If any dividend stated to be payable on the Series 2 Euro Preferred Securities on the most recent Dividend Payment Date has not been declared and paid in full, or if the Company has not set aside a sum to provide for payment in full of such dividend, other than by reason of the exercise of its Directors' or the Committee's discretion referred to in (i) under "Declaration of Dividends" above, then the Company may not declare or pay dividends upon any other shares ranking equally with or after the Series 2 Euro Preferred Securities as to dividends and the Company may not set aside any sum for the payment of these dividends, unless, on the date of declaration of any such dividends, the Company sets aside an amount equal to the dividend for the then-current annual dividend period payable on the Series 2 Euro Preferred Securities to provide for the payment in full of such dividend on the Series 2 Euro Preferred Securities on the next Dividend Payment Date.

If the Company has not declared and paid in full any annual dividend payable on the Series 2 Euro Preferred Securities or if the Company has not set aside a sum to provide for its payment in full, other than by reason of the exercise of its Directors' or the Committee's discretion referred to in (i) under "Declaration of Dividends" above, then the Company may not redeem, purchase or otherwise acquire for any consideration any of its other shares, and the Company 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 dividends on the Series 2 Euro Preferred Securities in respect of successive dividend periods together aggregating no less than 12 months shall have been declared and paid in full.

In addition, if the Company has not declared and paid in full, or if it has 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 other than by reason of the exercise by its Directors or the Committee of a discretion analogous to the discretion referred to in (i) under "Declaration of Dividends" above, then:

- the Company may not declare or pay any dividends on the Series 2 Euro Preferred Securities, and the Company may not set aside any sum to pay such dividends, unless, on the date of declaration, the Company sets 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
- the Company may not redeem, repurchase or otherwise acquire any Series 2 Euro Preferred Securities until such time as it has declared and paid in full dividends on such other series of non-cumulative preference shares in respect of successive dividend periods together aggregating no less than 12 months.

To the extent that any dividend on the Series 2 Euro Preferred Securities is, on any occasion, not declared and paid by the Company by reason of the exercise of its Directors' or the Committee's discretion referred to in (i) under "Declaration of Dividends" above, holders of the Series 2 Euro Preferred Securities shall have no claim in respect of such non-payment. In addition, such non-payment shall not prevent or restrict (a) the declaration and payment of dividends on any other series of non-cumulative preference shares (including, but not limited to, any series of non-cumulative preference shares outstanding as of the date of this Offering Circular) expressed to rank

pari passu with the Series 2 Euro Preferred Securities, (b) the setting aside of sums for the payment of dividends referred to in (a), (c) except as set forth in the following paragraph, the redemption, purchase or other acquisition of its shares by the Company, or (d) except as set forth in the following paragraph, the setting aside of sums, or the establishment of sinking funds, for any such redemption, purchase or other acquisition by the Company.

If the Company has not declared and paid in full the dividend stated to be payable on Series 2 Euro Preferred Securities as a result of the exercise of its Directors' or the Committee's discretion referred to in (i) under "Declaration of Dividends", then the Company may not redeem, purchase or otherwise acquire for any consideration any of its shares ranking after the Series 2 Euro Preferred Securities, and may not set aside any sum nor establish any sinking fund for the redemption, purchase or other acquisition thereof, until such time as the Company has declared and paid in full dividends on the Series 2 Euro Preferred Securities in respect of successive dividend periods singly or together aggregating no less than 12 months. In addition, no dividend may be declared or paid on any of the Company's shares ranking after the Series 2 Euro Preferred Securities as to dividends until such time, after the non-payment, as the dividend stated to be payable on the Series 2 Euro Preferred Securities in respect of a dividend period has been declared and paid in full.

The Company's articles of association provide that the Series 2 Euro Preferred Securities shall not be treated as ranking after any other series of preference shares with which it is expressed to rank *pari passu* as regards participation in profits, by reason only of the exercise of the Directors' discretion referred to in (i) under "Declaration of Dividends" above, or any dividend on the Series 2 Euro Preferred Securities not being paid by virtue of the exercise of such discretion.

The amount of dividends payable for any period shorter than a full dividend period will be computed on the basis of twelve 30-day months and a 360-day year with respect to full months, and, for those periods shorter than one month, the actual number of days elapsed in such period calculated on a 360-day year. Payments of less than €0.01 will be rounded upwards.

Any dividend which has remained unclaimed for 12 years from the date when it became due for payment shall, if the Board of Directors so resolves, be forfeited and shall revert to the Company.

Rights upon Liquidation

If the Company is wound up or liquidated, whether or not voluntarily, the holders of the Series 2 Euro Preferred Securities will be entitled to receive in Euros out of the Company's 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 the Company's cumulative preference shares, any other series of non-cumulative preference shares then outstanding, and all of the Company's other shares ranking equally with the Series 2 Euro Preferred Securities as regards participation in the Company's profits, a distribution of €1,000 per Series 2 Euro Preferred Security, together with an amount equal to dividends for the then-current dividend period accrued to (but excluding) the date of payment, before any distribution or payment may be made to holders of the Company's Ordinary Shares or any other class of the Company's shares ranking after the Series 2 Euro Preferred Securities.

If the assets available for distribution are insufficient to pay in full the amounts payable with respect to the Series 2 Euro Preferred Securities and any of the Company's other preference shares ranking equally as to any such distribution with the Series 2 Euro Preferred Securities, the holders of the Series 2 Euro Preferred Securities and such other preference shares will share rateably in any distribution of the Company's surplus assets 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 Series 2 Euro Preferred Securities will have no right or claim to any of the Company's surplus assets and will not be entitled to any further participation in surplus assets.

Redemption

The Company may redeem the Series 2 Euro Preferred Securities, at its option, in whole on 31 March, 30 June, 30 September and 31 December in each year commencing on or after 30 June 2010, upon not less than 30 nor more than 60 days' notice, at a redemption price of €1,000 per Series 2 Euro Preferred Security plus the dividends otherwise payable for the then-current dividend period accrued to (but excluding) the redemption date. If the due date for the payment of the redemption monies on any Series 2 Euro Preferred Securities is not a Euro Business Day then payment of such monies will be made on the next succeeding day which is a Euro Business Day and without any interest or other payment in respect of such delay unless such day shall fall within the next calendar month whereupon such payment will be made on the preceding Euro Business Day.

The Company's articles of association provide that no defect in the notice of redemption or in the giving of the notice will affect the validity of the redemption proceedings.

Under existing UK Financial Services Authority requirements, the Company may only redeem or purchase any Series 2 Euro Preferred Securities if the UK Financial Services Authority does not object. The Financial Services Authority may impose conditions on any redemption or purchase.

If certain limitations contained in the Company's articles of association, the special rights of any of the Company's shares and the provisions of applicable law permit, the Company may, at any time or from time to time, purchase outstanding Series 2 Euro Preferred Securities by tender, available alike to all holders of Series 2 Euro Preferred Securities, in the open market or by private agreement, in each case upon the terms and conditions that the Board of Directors or the Committee shall determine. Any Series 2 Euro Preferred Securities that the Company purchases for its own account will, pursuant to applicable law, be treated as cancelled and will no longer be issued and outstanding.

In each year in which a repurchase is made, the aggregate nominal amount of the Series 2 Euro Preferred Securities repurchased shall be announced in accordance with the Listing and Issuing Rules (*Fondsenreglement*) of Euronext Amsterdam with mention of remaining Series 2 Euro Preferred Securities.

Voting Rights

The holders of the Series 2 Euro Preferred Securities will not be entitled to receive notice of, attend or vote at any general meeting of the Company's shareholders except as provided by applicable law or as described below.

If any resolution is proposed for adoption by the Company's shareholders varying or abrogating any of the rights attaching to the Series 2 Euro Preferred Securities or proposing that the Company would be wound up or liquidated, the holders of the Series 2 Euro Preferred Securities or, in the case of the proposal of a resolution for a winding-up or liquidation, the holders of the outstanding preference shares generally 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 such resolution, but not on any other resolution.

In addition, if before any general meeting of shareholders the Company has failed to pay in full the dividend payable on the Series 2 Euro Preferred Securities for the most recent annual dividend period, the holders of the Series 2 Euro Preferred Securities shall be entitled to receive notice of, attend, speak and vote at such meeting on all matters. In these circumstances only, the right of the holders of Series 2 Euro Preferred Securities to vote shall continue until the Company has made payment in full of dividends on the Series 2 Euro Preferred Securities for the most recent dividend period.

Whenever entitled to vote at a general meeting of shareholders on a show of hands, each holder of Series 2 Euro Preferred Securities present in person shall have one vote and, on a poll, each holder of Series 2 Euro Preferred Securities present in person or by proxy will be entitled to one vote for each Series 2 Euro Preferred Security held (subject to adjustment to reflect any capitalisation issue, consolidations, sub-divisions or any other re-classification of the Company's Ordinary Shares as a result of any distribution to the holders of Ordinary Shares of the Company's assets and certain issues of Ordinary Shares or of rights or options to subscribe for Ordinary Shares at a market discount (subject to certain exceptions)).

The holders, including holders of Series 2 Euro Preferred Securities at a time when they have voting rights as a result of the Company having failed to pay dividends as described above, of not less than 10 per cent. of its paid-up capital that at the relevant date carries the right to vote at the Company's general meetings, are entitled to require the Board of Directors to convene an extraordinary general meeting. In addition, the holders of Series 2 Euro Preferred Securities may have the right to vote separately as a class in certain circumstances as described below under the heading "Variation of Rights".

Form and Denomination

The Series 2 Euro Preferred Securities will, when issued, be fully paid and, as such, will not be subject to a call for any additional payment. For each Series 2 Euro Preferred Security issued, an amount equal to its nominal value will be credited to the Company's 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 the Company's share premium account.

The Series 2 Euro Preferred Securities will be represented by a single share warrant to bearer and will be in the form of the Global Certificate. The Global Certificate will be deposited with Clearstream, Frankfurt on or

before the issue date of the Series 2 Euro Preferred Securities. The Company may consider Clearstream, Frankfurt one holder of the Series 2 Euro Preferred Securities so deposited for all purposes. If one or more of Clearstream, Frankfurt, Euroclear and 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 Series 2 Euro Preferred Securities corresponding to its book-entry interest in the Series 2 Euro Preferred Securities represented by the Global Certificate will be transferred to each holder of Series 2 Euro Preferred Securities, in the form of share warrants to bearer within 30 days of such closure or announcement. Upon presentation to the Company's registrar at its office in the UK, a share warrant to bearer may be exchanged for the relevant Series 2 Euro Preferred Securities in registered form, in which event the holder of the share warrant to bearer will be registered as a holder of the Series 2 Euro Preferred Securities in the register of members the Company maintains and will receive a certificate made 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 Series 2 Euro Preferred Securities. Temporary documents of title will not be issued.

Title to Series 2 Euro Preferred Securities in registered form will pass by transfer and registration on the register for the Series 2 Euro Preferred Securities. Title to Series 2 Euro Preferred Securities represented by a share warrant to bearer, or to any dividend coupons appertaining to them, will pass by delivery of the relevant bearer share warrants or dividend coupons. Series 2 Euro Preferred Securities in registered form will not be exchangeable, in whole or in part, for Series 2 Euro Preferred Securities represented by a share warrant to bearer.

Each exchange or registration of transfer of Series 2 Euro Preferred Securities in registered form will be effected by entry on the register for the Series 2 Euro Preferred Securities kept by the Company's registrar at its office in the UK. See "Registrar and Principal Paying Agent" below. Any exchange or registration of transfer will be effected without charge to the person requesting the exchange or registration, but the requesting person will be required to pay any related taxes, stamp duties or other governmental charges.

The exchange of Series 2 Euro Preferred Securities represented by a share warrant to bearer for definitive Series 2 Euro Preferred Securities in registered form will also be subject to applicable UK tax laws and regulations in effect at the time of the exchange. No exchange will be made unless any resulting taxes, stamp duties or other governmental charges have been paid to the Company.

Variation of Rights

The rights attached to Series 2 Euro Preferred Securities may be varied or abrogated only with the written consent of the holders of 75 per cent. in nominal value of the outstanding Series 2 Euro Preferred Securities or with the sanction of an extraordinary resolution passed at a separate class meeting of the holders of the outstanding Series 2 Euro Preferred Securities. An extraordinary resolution will be adopted if passed by a majority of 75 per cent. 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 Series 2 Euro Preferred Securities 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 per cent. in nominal value of the outstanding Series 2 Euro Preferred Securities or the sanction of an extraordinary resolution passed at a separate class meeting of holders of the outstanding Series 2 Euro Preferred Securities will be required if the Board of Directors propose to authorise, 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 the Company's profits or assets, other than if the Company redeems or purchases such shares, in priority to the Series 2 Euro Preferred Securities.

If the Company has paid the most recent dividend payable on the Series 2 Euro Preferred Securities in full, the rights attached to the Series 2 Euro Preferred Securities will not be deemed to be varied by the creation or issue of any further non-cumulative preference shares or of any other further shares ranking equally as regards participation in the Company's profits or assets with, or junior to, the Series 2 Euro Preferred Securities, 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 Euro or any other currency.

Notice of Meetings

The Company will cause a notice of any meeting at which holders of Series 2 Euro Preferred Securities are entitled to attend and vote to be mailed to each holder of Series 2 Euro Preferred Securities. 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 delivery of proxies.

A holder of Series 2 Euro Preferred Securities in registered form who is not registered with an address in the UK and who has not supplied an address within the UK to the Company for the purpose of notices is not entitled to receive notices of meetings. In addition, notices to holders of the Series 2 Euro Preferred Securities, including notices for general meetings of holders of the Series 2 Euro Preferred Securities, 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 holiday editions.

In addition, for so long as the Series 2 Euro Preferred Securities are listed on Eurolist by Euronext Amsterdam N.V., and the rules of such exchange so require, notices will be published in the Euronext Daily Official List (*Officiële Prijscourant*) of the Amsterdam securities exchanges and in a newspaper having general circulation in The Netherlands.

All such notices shall be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

Governing Law

The creation and issuance of the Series 2 Euro Preferred Securities and the rights attached to them shall be governed by and construed in accordance with the laws of Scotland.

Registrar and Principal Paying Agent

The Company has appointed Computershare Investor Services PLC as registrar. Computershare's current address is PO Box 82, The Pavilions, Bridgewater Road, Bristol BS99 7NH. The Company has appointed The Bank of New York as Principal Paying Agent and ING Bank N.V. and Deutsche Bank Aktiengesellschaft as Paying Agents pursuant to an agency agreement to be dated the Closing Date for the Series 2 Euro Preferred Securities ("**Agency Agreement**"). The Principal Paying Agent's current address and the Paying Agents' current addresses are as set out on the last page of this Offering Circular.

The Company reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor principal paying agent and additional or successor paying agent; provided, however, that if, and for so long as, the Series 2 Euro Preferred Securities are listed on Eurolist by Euronext Amsterdam and the rules of such exchanges so require, the Company shall maintain a paying agent having its specified office in Amsterdam. Notice of any change of registrar or agent will be given to holders of the Series 2 Euro Preferred Securities as described in "General Information — Notices".

USE OF PROCEEDS

The net proceeds of this offering of Series 2 Euro Preferred Securities are estimated to be €1,226,250,000 after payment of commissions and expenses.

The proceeds of the offering will be used for general corporate purposes and to strengthen the Group's regulatory capital base.

INVESTMENT CONSIDERATIONS

Investing in the securities offered using this Offering Circular involves risk. Investors should carefully consider the following factors and the other information in this Offering Circular, the Group's financial statements for the year ended 31 December 2004 (which are incorporated by reference in this Offering Circular and are available as described under "Documents Incorporated by Reference" above), before deciding to invest in the Series 2 Euro Preferred Securities. If any of these risks occurs, the Group's business, financial condition, and results of operations could suffer, and the trading price and liquidity of the Series 2 Euro Preferred Securities could decline, in which case investors could lose part or all of their investment.

Risks Related to the Group's Business

Set out below are certain risk factors which could affect the future results and cause them to be materially different from expected results. The Group's results could also be affected by competition and other factors. The factors discussed below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties the Group's businesses face.

The financial performance of the Group is affected by borrower credit quality and general economic conditions, in particular in the UK, the US and Europe.

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of the Group's businesses. Adverse changes in the credit quality of the Group's borrowers and counterparties or a general deterioration in the UK, US, European or global economic conditions, or arising from systemic risks in the financial systems, could affect the recoverability and value of its assets and require an increase in the Group's provision for bad and doubtful debts and other provisions.

Changes in interest rates, foreign exchange rates, equity prices and other market factors affect the Group's business.

The most significant market risks the Group faces are interest rate, foreign exchange and bond and equity price risks. Changes in interest rate levels, yield curves and spreads may affect the interest rate margin realised between lending and borrowing costs. Changes in currency rates, particularly in the sterling-dollar and sterling-euro exchange rates, affect the value of assets and liabilities denominated in foreign currencies and affect earnings reported by the Group's non-UK subsidiaries, mainly Citizens, RBS Greenwich Capital and Ulster Bank, and may affect income from foreign exchange dealing. The performance of financial markets may cause changes in the value of the Group's investment and trading portfolios. The Group has implemented risk management methods to mitigate and control these and other market risks to which the Group is exposed. However, it is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on the Group's financial performance and business operations.

The Group's insurance businesses are subject to inherent risks involving claims.

Future claims in the Group's general and life assurance businesses may be higher than expected as a result of changing trends in claims experience resulting from catastrophic weather conditions, demographic developments, changes in mortality and other causes outside the Group's control. Such changes would affect the profitability of current and future insurance products and services. The Group re-insures some of the risks that it has assumed.

Operational risks are inherent in the Group's businesses.

The Group's businesses are dependent on the ability to process a very large number of transactions efficiently and accurately. Operational losses can result from fraud, errors by employees, failure to document transactions properly or to obtain proper authorisation, failure to comply with regulatory requirements and Conduct of Business rules, equipment failures, natural disasters or the failure of external systems, for example, the Group's suppliers or counterparties. Although the Group has implemented risk controls and loss mitigation actions, and substantial resources are devoted to developing efficient procedures and to staff training, it is only possible to be reasonably, but not absolutely, certain that such procedures will be effective in controlling each of the operational risks faced by the Group.

Each of the Group's businesses is subject to substantial regulation and regulatory oversight. Any significant regulatory developments could have an effect on how the Group conducts business and on the results of operations.

The Group is subject to financial services laws, regulations, administrative actions and policies in each location in which the Group operates. This supervision and regulation, in particular in the UK, if changed could materially affect the Group's business, the products and services it offers or the value of its assets.

Future growth in the Group's earnings and shareholder value depends on strategic decisions regarding organic growth and potential acquisitions.

The Group devotes substantial management and planning resources to the development of strategic plans for organic growth and identification of possible acquisitions, supported by substantial expenditure to generate growth in customer business. If these strategic plans do not meet with success, the Group's earnings could grow more slowly or decline.

Risks Related to the Series 2 Euro Preferred Securities

Dividends on the Series 2 Euro Preferred Securities are discretionary and may not be declared and paid in full if the Board of Directors or the Committee resolves not to pay dividends in respect of any Dividend Payment Date.

The Board of Directors or the Committee thereof (in either case referred to herein as the Board of Directors) may resolve, in its sole and absolute discretion, prior to the relevant Dividend Payment Date not to pay in full dividends on the Series 2 Euro Preferred Securities. To the extent that any dividend or part thereof is on any occasion not declared and paid by reason of the exercise of such discretion, holders of Series 2 Euro Preferred Securities shall have no claim in respect of such non-payment.

In addition, such non-payment shall not prevent or restrict (a) the declaration and payment of dividends on any other series of the Company's non-cumulative preference shares or on any of the Company's preference shares expressed to rank *pari passu* with the Series 2 Euro Preferred Securities, (b) the setting aside of sums for the payment of dividends referred to in (a), (c) except with respect to share capital ranking after the Series 2 Euro Preferred Securities, the redemption, purchase or other acquisition of the Company's shares by the Company, or (d) except with respect to share capital ranking after Series 2 Euro Preferred Securities, the setting aside of sums, or the establishment of sinking funds, for any such redemption, purchase or other acquisition.

Dividends on the Series 2 Euro Preferred Securities are non-cumulative and will not be declared and paid in full if certain requirements relating to the Company's capital levels and other conditions are not satisfied. If the Company's financial condition were to deteriorate, investors could lose all or a part of their investment.

In addition to the discretion not to declare a dividend for any reason as described above, the Board of Directors will not declare and pay in full the dividends on any series of preference shares or preferred securities if, in the opinion of the Directors, payment of the dividend would cause a breach of applicable capital adequacy requirements of the UK Financial Services Authority or if the Company does not have sufficient distributable profits.

If the Board of Directors does not pay a dividend or any part of a dividend when due on a Dividend Payment Date in respect of any Series 2 Euro Preferred Securities because it is not required to do so, then holders of such preference shares or Series 2 Euro Preferred Securities will have no claim in respect of the non-payment and the Company will have no obligation to pay the dividend accrued for the dividend period or to pay any interest on the dividend, whether or not dividends on the Series 2 Euro Preferred Securities are declared for any future dividend period. Holders of Series 2 Euro Preferred Securities will have no right to participate in the Company's profits.

If the Company's financial condition were to deteriorate, investors might not receive dividends on the Series 2 Euro Preferred Securities. If the Company liquidates, dissolves or is wound up, investors could lose all or part of their investment.

An active market for the Series 2 Euro Preferred Securities may fail to develop or may not be sustainable.

Prior to the offering, there has been no trading market for this series of preferred securities. The Company cannot assure investors that an active or liquid market will develop or be sustainable for the Series 2 Euro Preferred Securities.

The Series 2 Preferred Securities are perpetual and therefore have no fixed date for repayment.

DESCRIPTION OF THE ROYAL BANK OF SCOTLAND GROUP

The Group

The Company is a public limited company incorporated in Scotland with registration number 45551. The Company was incorporated under Scots law on 25 March 1968 under the name “National and Commercial Banking Group Limited” and its name was changed to “The Royal Bank of Scotland Group Limited” by Special Resolution passed on 4 July 1979. By Resolution of the Directors passed on 28 January 1982, pursuant to section 8 of the Companies Act 1980, the name of the Company was changed to “The Royal Bank of Scotland Group public limited company”. The Company (together with its subsidiaries, the “**Group**”) is the holding company of one of the world’s largest banking and financial services groups, with a market capitalisation of £55.6 billion at the end of 2004. Headquartered in Edinburgh, the Group operates in the UK, the US and internationally through its two principal subsidiaries, The Royal Bank of Scotland plc (“**RBS**”) and National Westminster Bank Plc (“**NatWest**”). Both RBS and NatWest are major UK clearing banks whose origins go back over 275 years. In the US, the Group’s subsidiary, Citizens Financial Group Inc. (“**Citizens**”) was ranked the eighth largest commercial banking organisation by deposits at 30 September 2004. The Group has a large and diversified customer base and provides a wide range of products and services to personal, commercial and large corporate and institutional customers. In December 2004, RBS transferred its general insurance businesses, principally Direct Line Group, to The Royal Bank of Scotland Group plc.

At 31 December 2004 and 2003, RBS accounted for over 95 per cent. of the Group’s total assets and profit before tax.

The Group had total assets of £583 billion and ordinary shareholders’ equity of £27.3 billion at 31 December 2004. It is strongly capitalised with a total capital ratio of 11.7 per cent. and tier 1 capital ratio of 7.0 per cent. as at 31 December, 2004.

Organisational structure and business overview

The Group’s activities are organised in the following business divisions: Corporate Banking and Financial Markets, Retail Banking, Retail Direct, Manufacturing, Wealth Management, RBS Insurance, Ulster Bank and Citizens.

Corporate Banking and Financial Markets (“CBFM”)

CBFM is the largest provider of banking services to medium and large businesses in the UK with growing presence in the US, Europe and Asia. It provides an integrated range of products and services including corporate and commercial banking, treasury and capital markets products, structured and leveraged finance, trade finance, leasing and factoring.

Within CBFM, Financial Markets provides corporate and institutional customers with treasury services, including global interest rate derivatives trading, bond origination and trading, sovereign debt trading, futures brokerage, foreign exchange, money market, currency derivative and rate risk management services. RBS Greenwich Capital, with headquarters in Connecticut, US, delivers debt market solutions tailored to meet the needs of companies and institutions around the world.

Retail Banking

Retail Banking is one of the leading retail banks in the UK. The division comprises both the RBS and NatWest retail brands. It offers a full range of banking products and related financial services to the personal, premium and small business markets.

In the personal banking market, Retail Banking offers a comprehensive product range: money transmission, savings, loans, mortgages and insurance. In the small business market, Retail Banking provides a full range of services which include money transmission and cash management, short, medium and long-term financing, deposit products and insurance.

Customer choice and product flexibility are central to the Retail Banking proposition and customers are able to access services through a full range of channels: branches, ATMs, the internet and the telephone.

Retail Direct

Retail Direct consists of the Group’s non-branch based retail businesses. Retail Direct issues a comprehensive range of credit, charge and debit cards to personal and corporate customers and provides merchant

acquisition and processing facilities for retail businesses. It also includes Tesco Personal Finance, The One account, Direct Line Financial Services, Lombard Direct, WorldPay Limited, the Group's internet banking platform, the Primeline brand and in Europe, the Comfort Card businesses, all of which offer products to customers through direct channels.

During 2004, Retail Direct expanded its international operations. In the US, it entered into an agreement to issue credit cards to the customers of Kroger, a leading supermarket chain. In continental Europe, Retail Direct acquired Bibit NV, a leading internet payment specialist and agreed to provide consumer finance services through the outlets of Tchibo, a leading German retailer.

Manufacturing

Manufacturing supports the customer facing businesses in the UK and Ireland and manages the Group's telephony, account management and money transmission operations. It is also responsible for information technology operations and development, global purchasing, property and other services.

Manufacturing drives optimum efficiencies in high volume processing activities, leverages the Group's purchasing power and has become a centre of excellence for managing large scale and complex change programmes such as integration.

Wealth Management

Wealth Management provides private banking and investment services to its clients through a number of leading UK and overseas private banking subsidiaries and offshore banking businesses. Coutts is one of the world's leading international wealth managers with over 50 offices worldwide, including Switzerland, Dubai, Monaco, Hong Kong and Singapore, as well as its premier position in the UK. Adam & Company is the major private bank in Scotland. The offshore banking businesses – The Royal Bank of Scotland International and NatWest Offshore – deliver retail banking services to local and expatriate customers, and corporate banking and treasury services to corporate, intermediary and institutional clients, principally in the Channel Islands, the Isle of Man and Gibraltar.

RBS Insurance

RBS Insurance is the second largest general insurer in the UK, by gross earned premiums. Through the Direct Line, Churchill and Privilege brands, it sells and underwrites personal insurance over the telephone and the internet in the UK. Through the red phone brand, RBS Insurance also sells and underwrites personal insurance in Spain, Italy and Germany. UKI Partnerships is a leading provider of insurance and motoring related services through partner brands, including through Tesco Personal Finance. The National Insurance and Guarantee Corporation sells personal and commercial products through a network of intermediaries, while Inter Group acts as an insurance administrator and Devitt Insurance Services operates as a specialist broker administrator.

Ulster Bank

Ulster Bank provides a comprehensive range of retail and corporate banking services in Northern Ireland and the Republic of Ireland. In retail banking, Ulster Bank operates a network of branches throughout Ireland serving personal and commercial customers. Corporate Banking and Financial Markets provides a wide range of services in the corporate and institutional markets.

In January 2004, Ulster Bank acquired First Active plc, a leading provider of mortgages, retail savings and investment products in the Republic of Ireland. First Active and Ulster Bank have retained their own distinctive brands, branch networks and customer propositions, with efficiencies derived from shared central manufacturing activities.

Citizens

Citizens is the second largest commercial banking organisation in New England and the eighth largest commercial banking organisation in the US measured by deposits. Citizens provides retail and corporate banking services under the Citizens brand in the states of Connecticut, Delaware, Massachusetts, New Hampshire, New Jersey, Pennsylvania and Rhode Island, and the Charter One brand in the states of Illinois, Indiana, Michigan, New York, Ohio and Vermont. Through its branch network, Citizens provides a full range of retail and corporate banking services, including personal banking, residential mortgages and cash management. In addition, Citizens

engages in a wide variety of commercial lending, consumer lending, commercial and consumer deposit products, merchant credit card services, insurance products, trust services and retail investment services.

During 2004, Citizens completed the acquisitions of Thistle Group Holdings, Co., the holding company of Roxborough Manayunk Bank, the credit card business of People's Bank, Lynk Systems Inc., a leading merchant acquirer and Charter One Financial Group, Inc., the holding company of Charter One Bank.

Principal subsidiary undertakings

The Company's direct principal operating subsidiaries are RBS and RBS Insurance Group Limited. The principal subsidiary undertakings of RBS are shown below. Their capital consists of ordinary and preference shares, which are unlisted with the exception of certain preference shares issued by NatWest. All of these subsidiary undertakings are owned directly or indirectly through intermediate holding companies and are all wholly-owned. All of the subsidiaries shown below are included in the consolidated financial statements of the Company and RBS and have an accounting reference date of 31 December.

Citizens Financial Group, Inc.
Coutts & Co
Greenwich Capital Markets, Inc.
National Westminster Bank Plc
Ulster Bank Limited

DIRECTORS

The Directors and the Secretary of the Company, their functions within the Group and their principal outside activities (if any) of significance are:

<u>Name</u>	<u>Functions within the Group</u>	<u>Principal outside activity (if any) of significance to the Group</u>
Chairman		
Sir George Ross Mathewson	Chairman	—
Executive Directors		
Sir Frederick Anderson Goodwin . .	Group Chief Executive	—
Lawrence Kingsbaker Fish	Chairman, President and Chief Executive Officer, Citizens Financial Group, Inc.	—
Gordon Francis Pell	Executive Chairman, Retail Markets	—
Frederick Inglis Watt	Group Finance Director	—
Non-executive Directors		
Colin Alexander Mason Buchan . .	—	Formerly Head of Global Equities, UBS Warburg
James McGill Currie	—	Formerly a Director General at the European Commission
Archibald Hunter	—	Chairman, MacFarlane Group plc
Charles John Koch	—	Formerly Chairman, President and Chief Executive Officer, Charter One Financial, Inc.
Eileen Alison Mackay	—	Formerly Principal Finance Officer, The Scottish Office
Joseph Patrick MacHale	—	Formerly Chief Executive, JP Morgan Europe, Middle East and Africa Region
Sir Steve Arthur Robson	—	Formerly Second Permanent Secretary, HM Treasury
Robert Avisson Scott	—	Formerly Group Chief Executive, CGNU plc
Peter Denis Sutherland	—	Chairman, Goldman Sachs International
Company Secretary		
Miller Roy McLean	Group Secretary and General Counsel	

The business address for all the Directors and the Secretary is:

42 St Andrew Square
Edinburgh EH2 2YE
Scotland

**SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF
THE ROYAL BANK OF SCOTLAND GROUP PLC**

The following tables summarise the Company's audited consolidated financial results for its financial years ended 31 December 2004 and 31 December 2003.

Financial summary for the year ended 31 December 2004 and for the year ended 31 December 2003

	Year ended 31 December 2004	Year ended 31 December 2003
	<u>£m</u>	<u>£m</u>
Profit on ordinary activities before tax	6,917	6,076
Tax on profit on ordinary activities	(2,155)	(1,888)
Profit on ordinary activities after tax	<u>4,762</u>	<u>4,188</u>
Called up share capital	822	769
Reserves	<u>31,043</u>	<u>25,329</u>
Shareholders' funds	31,865	26,098
Minority interests	3,829	2,713
Dated loan capital	11,013	9,312
Undated loan capital including convertible debt	<u>9,353</u>	<u>7,686</u>
Capital resources	<u>56,060</u>	<u>45,809</u>
	<u>£bn</u>	<u>£bn</u>
Deposits by customers and banks	384.1	304.3
Loans and advances to customers and banks	403.7	304.4
Total assets	583.5	454.4

Dividend record of the Company for the year ended 31 December 2004 and for the year ended 31 December, 2003

	Year ended 31 December 2004	Year ended 31 December 2003
	<u>£m</u>	<u>£m</u>
Dividends paid on Preference Shares	<u>256</u>	<u>261</u>
Dividends paid on Additional Value Shares	<u>—</u>	<u>1,463</u>
Dividends paid on Ordinary Shares	<u>1,837</u>	<u>1,490</u>

CAPITALISATION AND INDEBTEDNESS OF THE ROYAL BANK OF SCOTLAND GROUP PLC

The following table, which is prepared on a consolidated basis, shows the authorised, issued and fully paid share capital of the Company and the shareholders' funds and indebtedness as at 31 December 2004.

	As at 31 December 2004 £m
Share capital - authorised	
Ordinary shares of £0.25 each	1,020
Non-voting deferred shares of £0.01 each	323
Additional value shares of £0.01 each	27
Preference shares ⁽¹⁾	528
	<u>1,898</u>
Share capital - allotted, called up and fully paid	
Ordinary shares	793
Non-voting deferred shares	27
Preference shares ⁽²⁾	2
	<u>822</u>
Retained income and other reserves	<u>31,043</u>
Total shareholders' funds	<u>31,865</u>
Group indebtedness	
Dated loan capital	11,013
Undated loan capital	9,353
	<u>20,366</u>
Debt securities in issue	<u>58,960</u>
Total indebtedness	<u>79,326</u>
Total capitalisation and indebtedness	<u>111,191</u>

Notes:

- (1) The authorised preference share capital of the Group as at 31 December 2004 was £528 million, consisting of 348.5 million non-cumulative preference shares of US\$0.01 each, 3.9 million non-cumulative convertible preference shares of US\$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 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.
- (2) The allotted, called up and fully paid preference share capital of the Group as at 31 December 2004 was £2 million, consisting of 153 million non-cumulative preference shares of US\$0.01 each and 1.9 million non-cumulative convertible preference shares of US\$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.
- (3) As at 31 December 2004, the Group had total liabilities, including shareholders' funds, of £583 billion, including deposits by banks of £99 billion and customer accounts of £285 billion.
- (4) All of the above indebtedness is unsecured. None of the indebtedness described above or below is guaranteed.
- (5) On 29 March 2005, RBS issued C\$700 million fixed/floating dated subordinated notes.
- (6) On 31 March 2005, the Company redeemed the 0.5 million Series 2 non-cumulative convertible preference shares of US\$0.01, at a redemption price of US\$1,000 per share and 0.75 million convertible preference shares of €0.01 at a redemption price of €1,000 per share.
- (7) At 31 March 2005, the Group had debt securities in issue totalling £69,650 million.
- (8) On 29 April 2005, NatWest redeemed the US\$400 million dated guaranteed floating rate capital subordinated notes.
- (9) On 19 May 2005, the Company issued 40 million non-cumulative US\$ preference shares, Series N, each with a US\$25 liquidation preference.
- (10) On 31 May 2005, the Company redeemed the £200 million floating rate dated subordinated notes.
- (11) As at 31 December 2004, the Group had contingent liabilities and guarantees arising in the normal course of business totalling £16,093 million, consisting of acceptances and endorsements of £362 million, guarantees and assets pledged as collateral security of £10,438 million and other contingent liabilities of £5,293 million.
- (12) Save as disclosed above, there has been no material change in the contingent liabilities, total capitalisation and indebtedness of the Group since 31 December 2004.

The following table shows the loan capital of the Company and its subsidiaries as at 31 December 2004.

	As at 31 December 2004 £m
Dated Loan Capital	
The Royal Bank of Scotland Group plc	
£200 million floating rate (minimum 5.25 per cent.) notes 2005	40
US\$400 million 6.4 per cent. subordinated notes 2009	206
US\$300 million 6.375 per cent. subordinated notes 2011	154
US\$750 million 5 per cent. subordinated notes 2013 (issued November 2003)	385
US\$750 million 5 per cent. subordinated notes 2014	385
US\$250 million 5 per cent. subordinated notes 2014	127
US\$675 million 5.05 per cent. subordinated notes 2015 (issued December 2004)	347
US\$350 million 4.7 per cent. subordinated notes 2018 (issued July 2003)	180
	1,824*
The Royal Bank of Scotland plc	
£125 million subordinated floating rate notes 2005	125
£150 million 8.375 per cent. subordinated notes 2007	150
DEM 500 million (redesignated EUR255 million) 5.25 per cent. subordinated notes 2008	180
EUR300 million 4.875 per cent. subordinated notes 2009	211
£35 million floating rate step-up subordinated notes 2010	35
US\$350 million floating rate subordinated notes 2012	181
EUR130 million floating rate subordinated notes 2012	92
US\$500 million floating rate subordinated notes 2012	258
£150 million 10.5 per cent. subordinated bonds 2013	150
EUR1,000 million 6.0 per cent. fixed rate subordinated notes 2013	699
EUR500 million 6.0 per cent. fixed rate subordinated notes 2013	360
US\$50 million floating rate subordinated notes 2013	26
EUR1,000 million floating rate subordinated notes 2013 (issued October 2003; callable October 2008)	704
US\$1,250 million floating rate subordinated notes 2014 (issued May 2004; callable July 2009)	646
A\$590 million 6.0 per cent. subordinated notes 2014 (issued October 2004; callable October 2009)	238
A\$410 million floating rate subordinated notes 2014 (issued October 2004; callable October 2009)	165
£250 million 9.625 per cent. subordinated bonds 2015	248
EUR750 million 4.875 per cent. subordinated notes 2015 (issued April 2003)	528
US\$500 million floating rate subordinated loan notes 2016 (issued October 2004; callable October 2011)	258
EUR500 million 4.5 per cent. subordinated notes 2016 (issued December 2003; callable January 2011)	351
EUR100 million floating rate subordinated notes 2017	71
US\$125.6 million subordinated rate notes 2020	65
€1,000 million 4.625 per cent. subordinated notes 2021 (issued September 2004; callable September 2016)	695

* In addition, the Company issued 125 million subordinated loan notes of €1,000 each in June 2002, 750,000 subordinated loan notes of US\$1,000 each in December 2002, 850,000 subordinated loan notes of US\$1,000 each in May 2003, 650,000 subordinated loan notes of US\$1,000 each in December 2003, 1.5 million subordinated loan notes of US\$1,000 each in August 2004 and 450,000 subordinated loan notes of US\$1,000 each in September 2004 to subsidiaries of the Company. These loan notes are included in the Company balance sheet within loan capital but are reclassified as non-equity minority interests on consolidation.

	As at 31 December 2004 £m
National Westminster Bank Plc	
US\$400 million guaranteed floating rate capital notes 2005	206
US\$1,000 million 7.375 per cent. fixed rate subordinated notes 2009	513
EUR600 million 6.0 per cent. subordinated notes 2010	420
£300 million 8.125 per cent. step-up subordinated notes 2011 (callable December 2006)	301
EUR500 million 5.125 per cent. subordinated notes 2011	346
£300 million 7.875 per cent. subordinated notes 2015	304
£300 million 6.5 per cent. subordinated notes 2021	296
Greenwich Capital Holdings, Inc.	
US\$105 million subordinated loan capital 2006 floating rate notes	54
Charter One Financial, Inc.	
US\$400 million 6.375 per cent. subordinated notes 2012	226
First Active plc	
US\$35 million 7.24 per cent. subordinated bonds 2012 (callable December 2007)	22
£60 million 6.375 per cent. subordinated bonds 2018 (callable April 2013)	65
	<u>11,013</u>
Undated loan capital including convertible debt	
The Royal Bank of Scotland Group plc	
US\$350 million undated floating rate primary capital notes (callable on any interest payment date)	181
US\$200 million 8.5 per cent. exchangeable capital securities, Series A (callable on any interest payment date)	103
US\$50 million undated 7.993 per cent. capital securities (callable November 2005)	26
US\$35 million undated 7.755 per cent. capital securities (callable December 2005)	18
US\$200 million undated 7.375 per cent. reset capital securities (callable April 2006)	103
US\$75 million floating rate perpetual capital securities (callable September 2007)	39
US\$1,200 million 7.648 per cent. perpetual regulatory tier one securities (callable September 2031)	615
	1,085
The Royal Bank of Scotland plc	
£125 million 9.25 per cent. undated subordinated step-up notes (callable April 2006)	125
£150 million undated subordinated floating rate step-up notes (callable March 2007)	150
FRF1,000 million (redesignated EUR152 million) 5.875 per cent. undated subordinated notes (callable October 2008)	107
£175 million 7.375 per cent. undated subordinated notes (callable August 2010)	174
£350 million 6.25 per cent. undated subordinated notes (callable December 2012)	348
€500 million 5.125 per cent. subordinated notes (issued July 2004; callable July 2014)	350
€1,000 million floating rate subordinated notes (issued July 2004; callable July 2014)	701
£500 million 6.0 per cent. subordinated notes (issued June 2004; callable September 2014)	496
£500 million 5.125 per cent. undated subordinated notes (issued March 2003; callable March 2016)	491
£200 million 9.5 per cent. undated subordinated bonds (callable August 2018)	198
£600 million 5.5 per cent. subordinated notes (issued December 2004; callable December 2019)	595
£500 million 6.2 per cent. undated subordinated notes (callable March 2022)	497
£300 million 5.625 per cent. undated subordinated notes (callable September 2026)	298
£200 million 5.625 per cent. undated subordinated notes (issued June 2003; callable September 2026)	210
£400 million 5.625 per cent. undated subordinated notes (issued October 2003; callable September 2026)	397
£350 million 5.625 per cent. undated subordinated notes (callable June 2032)	346

	As at 31 December 2004
	<u>£m</u>
£150 million 5.625 per cent. undated subordinated notes (callable June 2032)	144
JPY25 billion 2.605 per cent. subordinated notes (issued November 2004; callable November 2034)	126
National Westminster Bank Plc	
US\$500 million primary capital floating rate notes, Series A (callable on any interest payment date)	258
US\$500 million primary capital floating rate notes, Series B (callable on any interest payment date)	258
US\$500 million primary capital floating rate notes, Series C (callable on any interest payment date)	258
US\$500 million 7.875 per cent. exchangeable capital securities (callable on any interest payment date)	258
US\$500 million 7.75 per cent. reset subordinated notes (callable October 2007)	255
EUR100 million floating rate undated subordinated step-up notes (callable October 2009)	71
EUR400 million 6.625 per cent. fixed/floating rate undated subordinated notes (callable October 2009)	280
£325 million 7.625 per cent. undated subordinated step-up notes (callable January 2010)	329
£200 million 7.125 per cent. undated subordinated step-up notes (callable October 2022)	203
£200 million 11.5 per cent. undated subordinated notes (callable December 2022)	281
First Active plc	
£20 million 11.75 per cent. perpetual tier two capital	24
IR£30 million 11.375 per cent. perpetual tier two capital	38
£1.3 million floating rate perpetual tier two capital	2
	<u>9,353</u>

SUMMARY FINANCIAL INFORMATION RELATING TO THE GROUP

The financial information of the Company for the years ended 31 December 2003 and 2004 contained in this Offering Circular do not constitute statutory accounts within the meaning of Section 240 of the Act. The Company's auditors have made reports under Section 235 of the Act on such statutory accounts which were not qualified within the meaning of Section 262 of the Act and did not contain any statements made under Section 237(2) or (3) of the Act.

Summary Consolidated Profit and Loss Account

	Year ended 31 December 2004	Year ended 31 December 2003
	£m	£m
Net interest income	<u>9,208</u>	<u>8,301</u>
Non-interest income (excluding general insurance)	8,602	7,857
General insurance net premium income	<u>4,944</u>	<u>3,123</u>
Non-interest income	<u>13,546</u>	<u>10,980</u>
Total income	<u>22,754</u>	<u>19,281</u>
Administrative expenses	8,824	7,834
Depreciation and amortisation		
– tangible fixed assets	1,107	919
– goodwill	<u>915</u>	<u>763</u>
Operating expenses	<u>10,846</u>	<u>9,516</u>
Profit before other operating charges	11,908	9,765
General insurance net claims	<u>(3,480)</u>	<u>(2,195)</u>
Operating profit before provisions	8,428	7,570
Provisions	<u>(1,511)</u>	<u>(1,494)</u>
Profit on ordinary activities before tax	6,917	6,076
Tax on profit on ordinary activities	<u>(2,155)</u>	<u>(1,888)</u>
Profit on ordinary activities after tax	4,762	4,188
Minority interests (including non-equity)	<u>250</u>	<u>210</u>
Profit after minority interests	4,512	3,978
Preference dividends	<u>(256)</u>	<u>(261)</u>
	4,256	3,717
Additional Value Shares dividend	<u>—</u>	<u>1,463</u>
Profit attributable to ordinary shareholders	4,256	2,254
Ordinary dividends	<u>(1,837)</u>	<u>(1,490)</u>
Retained profit	<u>2,419</u>	<u>764</u>
Basic earnings per ordinary share	<u>138.0p</u>	<u>76.9p</u>
Adjusted earnings per ordinary share	<u>172.5p</u>	<u>157.2p</u>
Diluted earnings per ordinary share	<u>136.9p</u>	<u>76.3p</u>
Integration costs included in operating expenses comprise:		
Administration expenses	267	229
Depreciation	<u>2</u>	<u>—</u>
	<u>269</u>	<u>229</u>

Summary consolidated balance sheet

	As at 31 December 2004	As at 31 December 2003
	£m	£m
Assets		
Cash and balances at central banks	4,293	3,822
Items in course of collection from other banks	2,629	2,501
Treasury bills and other eligible bills	6,110	4,846
Loans and advances to banks	58,260	51,891
Loans and advances to customers	345,469	252,531
Debt securities	91,211	79,949
Equity shares	2,960	2,300
Intangible fixed assets	17,576	13,131
Tangible fixed assets	16,294	13,927
Settlement balances	5,682	2,857
Other assets	22,255	17,807
Prepayments and accrued income	6,928	5,309
Long-term assurance assets attributable to policyholders	3,800	3,557
Total assets	<u>583,467</u>	<u>454,428</u>
Liabilities		
Deposits by banks	99,081	67,323
Items in course of transmission to other banks	802	958
Customer accounts	285,062	236,963
Debt securities in issue	58,960	41,016
Settlement balances and short positions	32,990	21,369
Other liabilities	26,152	20,584
Accruals and deferred income	15,588	13,155
Post-retirement benefit liabilities	1,901	1,445
Provisions for liabilities and charges	3,071	2,249
Subordinated liabilities	20,366	16,998
Minority interests	3,829	2,713
Shareholders' funds		
- equity	27,345	23,175
- non-equity	4,520	2,923
Long-term assurance assets attributable to policyholders	3,800	3,557
Total liabilities	<u>583,467</u>	<u>454,428</u>
Memorandum items		
Contingent liabilities and commitments	<u>196,870</u>	<u>154,557</u>

Summary consolidated cash flow statement

	31 December 2004	31 December 2003	31 December 2002
	£m	£m	£m
Net cash inflow from operating activities	6,307	19,708	13,737
Dividend received from associated undertakings	9	9	1
Net cash outflow from returns on investments and servicing of finance	(1,070)	(2,419)	(1,901)
Net cash outflow from Taxation	(1,394)	(1,454)	(1,107)
Net cash outflow from capital expenditure and financial investment	(1,526)	(6,965)	(9,185)
Net cash outflow from acquisitions and disposals	(7,674)	(1,571)	(281)
Ordinary equity dividends paid	(1,235)	(772)	(729)
Net cash inflow from financing	<u>9,369</u>	<u>4,128</u>	<u>2,711</u>
Increase in cash	<u><u>2,786</u></u>	<u><u>10,664</u></u>	<u><u>3,246</u></u>

TAXATION

The comments set out below are intended only as a general guide to certain limited aspects of, primarily, current UK tax law and practice that may be relevant to holders of Series 2 Euro Preferred Securities. The comments only address the tax consequences for certain holders of receiving dividends and the UK stamp duty and stamp duty reserve tax issues relevant to the issue of and dealings in Series 2 Euro Preferred Securities. Otherwise they do not address the tax consequences in any jurisdiction arising from the acquisition, ownership, conversion or disposal of the Series 2 Euro Preferred Securities. The comments do not apply to certain classes of holders, such as dealers. Further, they do not constitute tax or legal advice. Any holders who are in doubt as to their personal tax position should consult their professional advisers.

UNITED KINGDOM

General

The following summarises certain UK tax consequences of the acquisition, holding and disposition of Series 2 Euro Preferred Securities by a beneficial owner of Series 2 Euro Preferred Securities.

The statements regarding UK tax laws and practices set forth below are based on those laws and practices as in force and as applied in practice on the date of this and are subject to changes to those laws and practices and any relevant judicial decision, subsequent to the date of this Offering Circular. This summary is not exhaustive of all possible tax considerations that may be relevant in the particular circumstances of each prospective investor. Each prospective investor should seek professional advice as to the tax consequences of the acquisition, ownership and disposition of Series 2 Euro Preferred Securities.

UK Withholding Tax on Dividends

There is no UK withholding tax on dividends. Accordingly, the Company is not required to withhold UK tax at source from dividend payments on the Series 2 Euro Preferred Securities or from any amount (including any amounts in respect of accrued dividends) distributed on a redemption or winding up.

Stamp Duty and Stamp Duty Reserve Tax

Based on a current understanding of UK Inland Revenue practice, it is expected that no UK stamp duty or stamp duty reserve tax (“SDRT”) will be payable on the delivery of the Global Certificate representing the Series 2 Euro Preferred Securities to Clearstream, Frankfurt. However, if this understanding proves to be incorrect, the Company will pay or procure payment of any such UK stamp duty or SDRT which becomes payable on the delivery of the Series 2 Euro Preferred Securities.

Neither UK stamp duty nor SDRT will generally be payable on the transfer of a beneficial interest in the Series 2 Euro Preferred Securities so long as the Global Certificate representing the Series 2 Euro Preferred Securities is held through Clearstream, Frankfurt.

UK stamp duty will, subject to certain exceptions, be payable at the rate of 1.5 per cent. (rounded up, if necessary, to the nearest £5) of the value of the Series 2 Euro Preferred Securities in registered form on any instrument pursuant to which Series 2 Euro Preferred Securities are transferred (i) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts.

Subject to certain exceptions, a transfer of Series 2 Euro Preferred Securities in registered form will attract ad valorem UK stamp duty, and an unconditional agreement to transfer would attract SDRT provided that SDRT will not be payable if UK stamp duty has been paid, generally at the rate of 0.5 per cent. (rounded up, if necessary, to the nearest £5) on the amount or value of the consideration for the transfer. Generally, ad valorem stamp duty applies neither to gifts nor on a transfer from a nominee to the beneficial owner, although in cases of transfers where no ad valorem stamp duty arises, a fixed UK stamp duty of £5 may be payable.

No UK stamp duty is payable on the transfer by delivery of the Series 2 Euro Preferred Securities in bearer form so long as no written transfer of such securities will be executed in or brought into the UK. No SDRT will be payable on an agreement to transfer such securities provided that the agreement is not made in contemplation of, or as part of an arrangement for, a takeover of the Group.

Finance Bill 2005 Changes

The Finance Bill ordered, by The House of Commons, to be printed 25th May 2005 contains provisions which, if enacted, would apply to treat certain shares, potentially including the Series 2 Euro Preferred Securities, as “loan relationships” of certain holders who are within the charge to UK corporation tax. In particular, the new rules could apply to bring dividends on the Series 2 Euro Preferred Securities, as well as certain fair value credits and debits arising in respect of those shares, within the charge to UK corporation tax on income. Whether or not the provisions contained in the Finance Bill will apply to a holder will depend on the particular circumstances of that holder. In addition, the relevant provisions may be subject to further change prior to enactment. **Accordingly, holders within the charge to UK corporation tax who do not hold their Series 2 Euro Preferred Securities for the purposes of a trade are advised to seek independent advice as to the implications of the Finance Bill.**

NETHERLANDS

General

The following describes the principal Netherlands tax consequences of the acquisition, holding and disposal of the Series 2 Euro Preferred Securities. This summary does not purport to be a comprehensive description of all Netherlands tax considerations that may be relevant to a decision to acquire, to hold, to redeem, to convert and to dispose of the Series 2 Euro Preferred Securities. Each prospective investor should consult a professional tax adviser with respect to the tax consequences of an investment in the Series 2 Euro Preferred Securities. The discussion of certain Netherlands taxes set forth below is included for general information only.

This summary is based on the tax legislation, published case law, treaties, rules, regulations and similar documentation, in force as of the date of this Offering Circular, without prejudice to any amendments introduced at a later date and implemented with retroactive effect.

For the purpose of the principal Netherlands tax consequences described herein, it is assumed that Company is not a resident nor deemed to be a resident of The Netherlands for Netherlands tax purposes.

Dutch Resident Holders

Holders of the Series 2 Euro Preferred Securities who are individuals and are resident or deemed to be resident in The Netherlands (“**Holders**”), or who have elected to be treated as a Dutch resident Holder for Dutch tax purposes, are subject to Dutch income tax on a deemed return regardless of the actual income derived from the Series 2 Euro Preferred Securities or gain or loss realised upon disposal or redemption of the Series 2 Euro Preferred Securities, provided that the Series 2 Euro Preferred Securities are held as a portfolio investment and are not held in the context of any business or substantial interest. The deemed return amounts to 4 per cent. of the average value of the Holder’s net assets in the relevant fiscal year (including the Series 2 Euro Preferred Securities) and is taxed at a flat rate of 30 per cent.

Corporate Holders that are resident or deemed to be resident in The Netherlands, without being exempt from Dutch corporate tax, will be subject to Dutch corporate tax on all income and gains realised in connection with the Series 2 Euro Preferred Securities, unless such Corporate Holders benefit from the participation exemption.

SUBSCRIPTION AND SALE

Under a subscription agreement (the “**Subscription Agreement**”) dated 23 June 2005, between the Company and BNP Paribas, Deutsche Bank AG, London Branch, The Royal Bank of Scotland plc and UBS Limited (together, the “**Managers**”), the Managers have agreed jointly and severally to subscribe or procure subscribers for the Series 2 Euro Preferred Securities at an issue price of €1,000 per Series 2 Euro Preferred Security. The Managers are entitled to terminate the Subscription Agreement in certain circumstances before the issue of the Series 2 Euro Preferred Securities. The Subscription Agreement contains customary warranties and indemnities given by the Company to the Managers. In addition, the Company has agreed to reimburse the Managers for certain of their expenses.

Selling Restrictions

United States

The Series 2 Euro 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 except in certain transactions exempt from the registration requirements of the Securities Act. Each Manager has represented and agreed that it has not offered or sold, and will not offer or sell any Series 2 Euro Preferred Securities except in accordance with Rule 903 or Rule 904 of Regulation S. Terms used above have the meanings given to them by Regulation S under the Securities Act.

Each Manager has acknowledged and agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver any Series 2 Euro Preferred Securities (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering or the original issue date of the Series 2 Euro Preferred Securities (the “**Distribution Compliance Period**”) except in accordance with Rule 903 of Regulation S under the Securities Act, and that it will send to each dealer to which it sells Series 2 Euro Preferred Securities during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Series 2 Euro Preferred Securities within the United States or to, or for the account or benefit of, US persons.

Until 40 days after the commencement of this offering, an offer or sale of Series 2 Euro Preferred Securities within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to an exemption from registration under the Securities Act.

United Kingdom

Each Manager has represented, warranted and undertaken that:

- (a) *No offer to public:* during the period up to but excluding the implementation date of the Prospectus Directive (as defined below) in the United Kingdom, it has not offered or sold and will not offer or sell any Series 2 Euro 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) *Financial promotion:* 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 Financial Services and Markets Act 2000 (the “**FSMA**”) received by it in connection with the issue or sale of any Series 2 Euro Preferred Securities in circumstances in which section 21(1) of the FSMA does not apply to the Company; and
- (c) *General compliance:* it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Series 2 Euro Preferred Securities in, from or otherwise involving the UK.

Federal Republic of Germany

No German sales prospectus (*Verkaufsprospekt*) has been or will be published with respect to the Series 2 Euro Preferred Securities and the offer of the Series 2 Euro Preferred Securities in the Federal Republic of Germany must comply with the Securities Sales Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*, the “**Prospectus Act**”) of the Federal Republic of Germany and all other applicable legal and regulatory

requirements. No public offering (*Öffentliches Angebot*) within the meaning of the Prospectus Act with respect to any Series 2 Euro Preferred Securities can be made otherwise than in accordance with the Prospectus Act.

Belgium

This Offering Circular will not be submitted to the Belgian Banking, Finance and Insurance Commission and, accordingly, the Series 2 Euro Preferred Securities may not be distributed by way of public offering in Belgium.

Switzerland

This Offering Circular does not constitute an offer to buy or to subscribe to securities of the Company or any of its affiliates and it does not constitute an offering circular within the meaning of Art. 1156 of the Swiss Code of Obligations or Art. 652a of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SWX Swiss Exchange. Potential investors are furthermore advised to consult their bank and financial advisor.

Italy

Each Manager has represented and agreed that the offering of the Series 2 Euro Preferred Securities has not been cleared by CONSOB (the Italian Securities Exchange Commission) pursuant to Italian securities legislation and, accordingly, no Series 2 Euro Preferred Securities may be offered, sold or delivered, nor may copies of this Offering Circular or of any other document relating to the Series 2 Euro Preferred Securities be distributed in the Republic of Italy (“**Italy**”), except:

- (i) to professional investors (“*operatori qualificati*”), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of 1 July 1998 (the “**CONSOB Regulation No. 11522**”), as amended; or
- (ii) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998 (the “**Financial Services Act**”) and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14 May 1999, as amended.

Any offer, sale or delivery of the Series 2 Euro Preferred Securities or distribution of copies of this Offering Circular or any other document relating to the Series 2 Euro Preferred Securities in Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, the CONSOB Regulation No. 11522 and Legislative Decree No. 385 of 1 September 1993 (the “**Banking Act**”), as amended;
- (b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, pursuant to which the issue or the offer of securities in Italy may need to be preceded and followed by an appropriate notice to be filed with the Bank of Italy depending, *inter alia*, on the aggregate value of the securities issued or offered in Italy and their characteristics; and
- (c) in accordance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations and in compliance with any other applicable requirement or limitation which may be imposed from time to time by CONSOB or the Bank of Italy.

The Netherlands

Prior to the publication of the advertisement (the “**Advertisement**”) as mentioned in Article 47.7 of the Listing and Issuing Rules of Euronext Amsterdam N.V. (*Fondsenreglement*):

- (i) no contractually binding offers (or solicitations of such offers) in respect of the Series 2 Euro Preferred Securities shall be made to any individual or legal entity in The Netherlands, other than to Dutch individuals or legal entities, who or which trade or invest in securities in the conduct of a business or profession (which includes banks, securities intermediaries (including dealers and brokers), insurance companies, pension funds, collective investment institutions, central governments, large international and supranational organisations, other institutional investors and other parties, including treasury departments of commercial enterprises, which as an ancillary activity regularly trade or invest in securities; hereinafter “**Professional Investors**”); and

- (ii) in any documents or advertisements in which a forthcoming offering of such Series 2 Euro Preferred Securities is publicly announced (whether electronically or otherwise) prior to the publication of such Advertisement it is stated that such offer is and will be exclusively made to such Professional Investors.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Series 2 Euro Preferred Securities to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Series 2 Euro Preferred Securities which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Series 2 Euro Preferred Securities to the public in that Relevant Member State at any time:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Series 2 Euro Preferred Securities to the public” in relation to any Series 2 Euro Preferred Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Series 2 Euro Preferred Securities to be offered so as to enable an investor to decide to purchase or subscribe the Series 2 Euro Preferred Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “**Prospectus Directive**” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

General

No action has been or will be taken in any jurisdiction by the Company or the Managers (other than in The Netherlands and Germany) that would permit a public offering of the Series 2 Euro Preferred Securities, or the possession or distribution of this Offering Circular, or any amendment or supplement thereto, or any other offering material relating to the Series 2 Euro Preferred Securities, in any country or jurisdiction where action for that purpose is required. Accordingly, the Series 2 Euro Preferred Securities may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material may be distributed or published, in or from any other country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

GENERAL INFORMATION

Significant Undertakings

The Royal Bank of Scotland plc is a company incorporated in the UK engaged in banking activities. Its registered office is 36 St Andrew Square, Edinburgh, Scotland and the Company holds 100 per cent. of its ordinary share capital.

National Westminster Bank Plc is a company incorporated in the UK engaged in banking activities. Its registered office is 135 Bishopsgate, London, England and the Company indirectly holds 100 per cent. of its ordinary share capital.

Citizens Financial Group, Inc. is a company incorporated in the United States of America engaged in banking activities. Its registered office is One Citizens Plaza, Providence, United States and the Company indirectly holds 100 per cent. of its ordinary share capital.

Greenwich Capital Markets, Inc. is a company incorporated in the United States of America engaged in banking activities. Its registered office is 600 Steamboat Road, Greenwich, United States and the Company indirectly holds 100 per cent. of its ordinary share capital.

Listing

Application has been made to list the Series 2 Euro Preferred Securities on Eurolist of Euronext Amsterdam N.V.

So long as the Series 2 Euro Preferred Securities are listed on Eurolist of Euronext Amsterdam N.V., the Company will comply with the provisions set forth in Schedule B of the Listing and Issuing Rules (*Fondsenreglement*) of Euronext Amsterdam N.V. (to the extent applicable) as amended from time to time. In particular, the Company will comply with the provisions set forth in Article 2.1.20, section a-g of Schedule B of the Listing and Issuing Rules (*Fondsenreglement*) of Euronext Amsterdam N.V. (to the extent applicable).

Consents

The issue of the Series 2 Euro Preferred Securities has been authorised pursuant to resolutions passed at a meeting of the Board of Directors held on 16 February 2005 and a meeting of a committee of the Board of Directors held on 22 June 2005.

Significant or Material Change

Save as disclosed herein, there has been no significant change in the financial or trading position of the Company and its subsidiaries taken as a whole and no material adverse change in the financial position or prospects of the Company and its subsidiaries taken as a whole since 31 December 2004, being the date of the latest audited published financial statements of the Company.

Litigation

Since December 2003, members of the Group have been joined as defendants in a number of legal actions in the United States following the collapse of Enron. Collectively, the claims are, to a substantial degree, unquantified and in each case they are made against large numbers of defendants. The Group intends to defend these claims vigorously. The US courts dealing with the main Enron actions have ordered that the Group join the non-binding, multi-party mediation which commenced in late 2003. Based on current knowledge including applicable defences and given the unquantified nature of these claims, the Directors of the Group are unable at this stage to predict with certainty the eventual loss in these matters. In addition, pursuant to requests received from the US Securities and Exchange Commission and the US Department of Justice, the Group has been providing copies of Enron-related materials to these authorities and the Group continues to co-operate fully with them.

Members of the Group are engaged in other litigation in the UK and a number of overseas jurisdictions, including the United States, involving claims by and against them arising in the ordinary course of business. The Directors of the Group have reviewed these other actual, threatened and known potential claims and proceedings and, after consulting with the Group's legal advisers, are satisfied that the outcome of these claims and proceedings will not have a material adverse effect on the Group's consolidated net assets, results of operations or cash flows.

Save as disclosed herein, neither the Company nor any of its subsidiaries is or has been involved in any legal or arbitration proceedings which may have or have had during the twelve months prior to the date hereof a significant effect on the financial position of the Company and its subsidiaries, taken as a whole, nor, so far as the Company is aware, are any such proceedings pending or threatened.

Auditors

The consolidated financial statements of the Company for the years ended 31 December 2004 and 2003 have been audited by Deloitte & Touche LLP, Chartered Accountants.

The financial information contained in this Offering Circular in relation to the Company does not constitute the Company's statutory accounts. Statutory accounts for the year ended 31 December 2003 to which certain of the financial information in this Offering Circular relates, will be delivered to the Registrar of Companies in Scotland.

Deloitte & Touche LLP has reported on such statutory accounts and such reports were unqualified and did not contain a statement under Section 237 of the Act.

The audit report of Deloitte & Touche LLP for the year ended 31 December 2004 states that the report, including the opinion, has been prepared for and only for the members of the Company, as a body in accordance with section 235 of the Act and for no other purpose, and that Deloitte & Touche LLP did not, in giving their audit opinion, accept or assume responsibility for any other purpose or to any other person to whom the report is shown or into whose hands the report may come.

Available documents

Copies of the following documents are available free of charge at the office of the registrar, the Principal Paying Agent and the Paying Agents at the addresses shown on the back cover of this Offering Circular during normal business hours:

- the memorandum and articles of association of the Company;
- the consolidated accounts and the annual reports of the Group for the financial years ended 31 December 2004 and 31 December 2003;
- the written consents (if any) of the holders of the Series 2 Euro Preferred Securities referred to on page 10 of this Offering Circular;
- the Subscription Agreement; and
- the Agency Agreement.

The most recently published consolidated and non-consolidated audited financial statements and the Company's unaudited consolidated interim financial statements will also be available free of charge at the offices of the Principal Paying Agent and the registrar and the Paying Agents at the addresses shown on the back cover of this Offering Circular and from the Company's registered office.

Clearing and Settlement Systems

The Series 2 Euro Preferred Securities have been accepted for clearance through the facilities of Clearstream, Frankfurt, Euroclear and Clearstream, Luxembourg. The ISIN for the Series 2 Euro Preferred Securities is DE000A0E6C37 and the Common Code for the Series 2 Euro Preferred Securities is 022278088. The fundscode for the Series 2 Euro Preferred Securities is 15457.

The German Security Code (WKN) for the Series 2 Euro Preferred Securities is A0E6C3.

Notices

Notices to holders of the Series 2 Euro Preferred Securities, including notices for general meetings of holders of Series 2 Euro Preferred Securities, will be published in accordance with operating procedures for the time being of Clearstream, Frankfurt, 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 public holidays.

In addition, for so long as the Series 2 Euro Preferred Securities are listed on Eurolist of Euronext Amsterdam N.V., and the rules of such exchange so require, notices will be published in the Euronext Daily

Official List (*Officiële Prijscourant*) of the Amsterdam securities exchanges and in a newspaper having general circulation in The Netherlands.

Articles of Association

The objects of the Company contained in its memorandum of association are to carry on banking business in any part of the world and associated businesses and services. The memorandum and articles of association can only be amended by a resolution of the shareholders of the Company in accordance with the Act. The articles of association of the Company were last amended on 29 April 2004.

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