



Royal Bank of Scotland Group PLC - Preference Shares and Subordinated Securities

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The Royal Bank of Scotland Group plc, The Royal Bank of Scotland plc and National Westminster Bank plc - Clarification of Contractual Position Relating to Payments Under Preference Shares and Subordinated Securities

The Royal Bank of Scotland Group plc ("RBSG"), The Royal Bank of Scotland plc ("RBS") and National Westminster Bank plc ("NatWest") have received various investor queries as to whether RBSG, RBS and/or NatWest have contractual rights to stop payments of dividends and interest on their preference shares and subordinated securities. In response to these queries, RBSG, RBS and NatWest are making this announcement to clarify the contractual position under such preference shares and subordinated securities. Nothing in this announcement should be taken as an indication by RBSG, RBS or NatWest as to whether or not they will or will not continue to make payments on the securities listed below.

RBSG and RBS Securities

Preference shares

Dividend payments on the non-cumulative preference shares of RBSG set out at Schedule 1 to this press release may be stopped at the discretion of the board of directors of RBSG, and must be stopped if, in the opinion of the directors of RBSG, the distributable profits of RBSG are insufficient to fund such payments or if, in the opinion of the directors of RBSG, the payment of the dividend would breach or cause a breach of the Financial Services Authority's capital adequacy requirements (all as more fully set out in RBSG's Articles of Association and the relevant Board Resolutions, which contain the terms of, and rights attaching to, such non-cumulative preference shares).

As more fully set out in RBSG's Articles of Association and the relevant Board Resolutions (which contain the terms of, and rights attaching to, such non-cumulative preference shares), dividend payments on the following non-cumulative preference shares must be stopped if, in the opinion of the directors of RBSG, the distributable profits of RBSG are insufficient to fund such payments or if, in the opinion of the directors of RBSG, the payment of the dividend would breach or cause a breach of the Financial Services Authority's capital adequacy requirements (but may not be stopped absent such circumstances):

- RBSG USD 200,000,000 7.65 per cent. non-cumulative dollar preference shares, Series F (US7800978048);
- RBSG USD 300,000,000 7.25 per cent. non-cumulative dollar preference shares, Series H (US7800978790);
- RBSG USD 850,000,000 5.75 per cent. non-cumulative dollar preference shares, Series L (exchanged from exchangeable capital securities, Series B) (US7800977883);
- RBSG USD 1,000,000,000 9.118 per cent. non-cumulative convertible dollar preference shares, Series 1 (US780097AE13); and
- RBSG GBP 200,000,000 7.387 per cent. non-cumulative convertible sterling preference shares, Series 1 (XS0121856859).

Dividend payments on RBSG's outstanding GBP 400,000 5.5 per cent. cumulative preference shares (GB0007548026) and GBP 500,000 11 per cent. cumulative preference shares (GB0007548133) cannot be stopped at the discretion of the board of directors and must be paid if and so far as, in the opinion of the directors of RBSG, the profits of RBSG justify such payments.

Innovative Tier 1 Securities

As more fully set out in the relevant prospectuses, if payments are stopped on any of RBSG's non-cumulative preference shares then RBSG must stop payments on the following outstanding innovative tier 1 securities:

- RBS Capital Trust A EUR 1,250,000,000 6.467 per cent. non-cumulative trust preferred securities (XS0149161217);
- RBS Capital Trust B USD 750,000,000 6.80 per cent. non-cumulative trust preferred securities (XS0159056208);
- RBS Capital Trust C EUR 500,000,000 4.243 per cent. non-cumulative trust preferred securities (XS0237530497);
- RBS Capital Trust D GBP 400,000,000 5.6457 per cent. non-cumulative trust preferred securities (XS0277453774);
- RBS Capital Trust I USD 850,000,000 4.709 per cent. non-cumulative trust preferred securities (US749274AA41);
- RBS Capital Trust II USD 650,000,000 6.425 per cent. non-cumulative trust preferred securities (US74927PAA75);
- RBS Capital Trust III USD 950,000,000 5.512 per cent. non-cumulative trust preferred securities (US74927QAA58);
- RBS Capital Trust IV USD 1,000,000,000 Floating Rate Notes non-cumulative trust preferred securities (US74927FAA93); and

- RBSG CAD 600,000,000 6.666 per cent. Undated Callable Step-Up Tier 1 Notes (CA780097AT83).

As more fully set out in the relevant prospectuses, RBSG may elect to defer payments on the RBSG USD 1,200,000,000 7.648 per cent. Perpetual Regulatory Tier One Securities (US780097AH44) unless RBSG continues to pay dividends or interest on (among others) any of its outstanding non-cumulative preference shares. RBSG can elect to stop payments on the RBSG USD 1,600,000,000 Fixed Rate/Floating Rate Preferred Capital Securities (US780097AS09) in its absolute discretion.

Upper Tier 2 Securities

As more fully set out in the relevant prospectuses, due to dividend pusher and dividend stopper provisions in RBSG's and RBS' outstanding upper tier 2 securities, RBSG and RBS must continue to make interest payments on their outstanding upper tier 2 securities if RBSG has declared or paid a dividend on any of its outstanding share capital in a specified period (as disclosed in the relevant prospectuses) preceding an interest payment date. A list of all outstanding RBSG and RBS upper tier 2 securities is set out in Schedule 2 to this press release.

Lower Tier 2 Securities

As more fully set out in the relevant prospectuses, if payments continue on any of RBSG's outstanding share capital, then RBSG must continue to make interest payments on the following lower tier 2 securities:

- RBSG USD 300,000,000 6.375 per cent. Subordinated Notes due 2011 (US780097AB73);
- RBSG USD 750,000,000 5.00 per cent. Subordinated Notes due 2014 (US780097AL55);
- RBSG USD 250,000,000 5.00 per cent. Subordinated Notes due 2014 (US780097AL55.1);
- RBSG USD 350,000,000 4.70 per cent. Subordinated Notes due 2018 (US780097AM39);
- RBSG USD 750,000,000 5.00 per cent. Subordinated Notes due 2013 (US780097AN12); and
- RBSG USD 675,000,000 5.05 per cent. Subordinated Notes due 2015 (US780097AP69).

RBSG may defer payment of interest on the following lower tier 2 securities if the Financial Services Authority requires or requests that it do so:

- RBS USD 125,600,000 Subordinated Floating Rate Notes due 2020 (XS0123062886); and
- RBS EUR 1,000,000,000 Fixed to Floating Rate Subordinated Notes due 2021 (XS0201065496).

Interest payments on all other outstanding RBSG and RBS lower tier 2 securities must be made and cannot be deferred in any circumstances. A list of these securities is set out in Schedule 3 to this announcement.

NatWest Securities

Preference Shares

The following two series comprise NatWest's outstanding non-cumulative preference shares (the "NatWest Preference Shares"):

- NatWest GBP 140,000,000 9.0 per cent. non-cumulative preference shares, Series A (GB0006227051); and
- NatWest USD 300,000,000 7.76 per cent. non-cumulative preference shares, Series C (US6385398820).

As more fully set out in the relevant prospectuses, dividend payments on the NatWest Preference Shares may only be stopped if the directors of NatWest consider that the distributable profits of NatWest are insufficient to fund such payments or if the directors of NatWest consider that the payment of the dividend would result in a breach of the Financial Services Authority's capital adequacy requirements.

Upper Tier 2 Securities

As more fully set out in the relevant prospectuses, due to dividend pusher provisions in NatWest's outstanding upper tier 2 securities, NatWest must continue to make interest payments on those outstanding upper tier 2 securities if NatWest has declared or paid a dividend on any class of its outstanding share capital in a specified period (as disclosed in the relevant prospectuses) preceding an interest payment date. A list of all outstanding NatWest upper tier 2 securities is set out in Schedule 4 to this press release.

Lower Tier 2 Securities

As more fully set out in the relevant prospectus, if payments continue on any class of NatWest's outstanding share capital then NatWest must continue to make interest payments on its USD 1,000,000,000 7.375 per cent. Subordinated Notes due 2009 (US638539AH99).

Interest payments on all other outstanding NatWest lower tier 2 securities must be made and cannot be deferred in any circumstances. A list of these securities is set out in Schedule 5 to this announcement.

Copies of RBSG's Articles of Association, the Board Resolutions and the prospectuses referred to above are available on the RBS Group website (www.investors.rbs.com).

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Schedule 1

USD 925,000,000 6.40 per cent. Non-cumulative preference shares Series M (US7800977966)

USD1,000,000,000 6.35 per cent. Non-cumulative preference shares Series N (US7800977701)

USD 550,000,000 6.25 per cent. Non-cumulative preference shares Series P (US7800977628)

USD 675,000,000 6.75 per cent. Non-cumulative preference shares Series Q (US7800977545)

USD 650,000,000 6.125 per cent. Non-cumulative preference shares Series R (US7800977479)

USD 950,000,000 6.60 per cent. Non-cumulative preference shares Series S (US7800977396)

USD 1,600,000,000 7.25 per cent. Non-cumulative preference shares Series T (US7800977131)

USD 1,500,000,000 7.64 per cent. Non-cumulative preference shares Series U (US780097AU54)

EUR 1,250,000,000 5 1/2 per cent. Non-cumulative preferred securities Series 1 (XS0205935470)

EUR 1,250,000,000 Non-cumulative preferred securities Series 2 (DE000A0E6C37)

EUR 1,300,000,000 7.0916 per cent. Non-cumulative preference shares Series 3 (XS0323734961)

GBP 750,000,000 8.162 per cent. Non-cumulative preference shares Series 1 (XS0323839042)

Schedule 2

RBS GBP 175,000,000 73/8 per cent. Fixed Rate Undated Subordinated Notes (XS0116447599)

RBS GBP 400,000,000 5.0 per cent. Fixed/Floating Undated Subordinated Callable Step-Up Notes (XS0247645160)

RBS GBP 350,000,000 6.25 per cent. Fixed Rate Undated Subordinated Notes (XS0137784426)

RBS EUR 500,000,000 5.125 per cent. Fixed/Floating Rate Undated Subordinated Notes (XS0195230635)

RBS EUR 1,000,000,000 Floating Rate Undated Subordinated Notes (XS0195231526)

RBS GBP 500,000,000 6.0 per cent. Fixed Rate Undated Subordinated Notes (XS0193721544 - callable 2014)

RBS GBP 500,000,000 5.125 per cent. Fixed Rate Undated Subordinated Notes (XS0164828385 - callable 2016)

RBS CAD 700,000,000 5.37 per cent. Fixed/Floating Undated Subordinated Callable Step-Up Notes (CA780097AR28)

RBS GBP 200,000,000 9.5 per cent. Fixed Rate Undated Subordinated Bonds (XS0045071932 - callable 2018))

RBS GBP 600,000,000 5.5 per cent. Fixed Rate Undated Subordinated Notes (XS0206633082 - callable 2019)

RBS GBP 500,000,000 6.20 per cent. Fixed Rate Undated Subordinated Notes (XS0144810529 - callable 2022)

RBS GBP 900,000,000 5.625 per cent. Fixed Rate Undated Subordinated Notes (XS0154144132 - callable 2026)

RBS GBP 500,000,000 5.625 per cent. Fixed Rate Undated Subordinated Notes (XS0138939854 - callable 2032)

RBS JPY 25,000,000,000 2.605 per cent. Fixed/Floating Rate Unsubordinated Notes (XS0203781660)

RBSG USD 350,000,000 Undated Floating Rate Primary Capital Notes (GB0007547507)

Schedule 3

RBS AUD 590,000,000 Subordinated 6.00 per cent. Notes due 2014 (AU300RSCT012)

RBS AUD 410,000,000 Subordinated Floating Rate Notes due 2014 (AU300RSCT020)

RBS AUD 450,000,000 Subordinated 6.50 per cent. Fixed to Floating Rate Notes due 2017 (AU3CB0008217)

RBS AUD 450,000,000 Subordinated Floating Rate Notes due 2017 (AU3FN0000790)

RBS CAD 700,000,000 4.25 per cent. Fixed/Floating Callable Subordinated Notes due 2015 (CA78010XAA96)

RBS CHF 700,000,000 2.375 per cent. Dated Subordinated Notes due 2015 (CH0022976853)

RBS CHF 200,000,000 Fixed/Floating Dated Subordinated Callable Step-Up Notes due 2017 (CH0027811691)

RBS USD 50,000,000 Subordinated Volatility Notes due 2013 (US780097AJ00)

RBS GBP 150,000,000 10.5 per cent. Subordinated Bonds due 2013 (XS0042123637)

RBS GBP 250,000,000 9.625 per cent. Subordinated Bonds due 2015 (XS0050948958)

RBS EUR 1,000,000,000 6 per cent. Subordinated Eurobonds due 2013 (XS0128842571)

RBS EUR 500,000,00 6 per cent. Subordinated Eurobonds due 2013 (XS0128842571.2), consolidated and forming a single series with the EUR 1,000,000,000 6 per cent. Subordinated Eurobonds due 2013

RBS EUR 100,000,000 Subordinated Floating Rate Notes due 2017 (XS0157843771)

RBS EUR 750,000,000 4.875 per cent. Subordinated Notes due 2015 (XS0167127447)

RBS EUR 500,000,000 4.50 per cent. Dated Subordinated Step-Up Notes due 2016 (XS0180946906)

RBS USD 500,000,000 Subordinated Floating Rate Notes due 2016 (XS0202629407)

RBS USD 750,000,000 Subordinated Floating Rate Notes due 2015 (XS0223318501)

RBS USD 1,500,000,000 Floating Rate Subordinated Callable Step-Up Notes due 2016 (XS0250214797)

RBS EUR 500,000,000 Floating Rate Subordinated Callable Step-Up Notes due 2017 (XS0259579547)

RBS EUR 750,000,000 4.35 per cent. Subordinated Notes due 2017 (XS0271858606)

RBS USD 1,500,000,000 Floating Rate Subordinated Callable Step-Up Notes due 2017 (XS0302127625)

RBS EUR 300,000,000 CMS-Linked Floating Rate Subordinated Notes due 2022 (XS0305575572)

RBS EUR 2,000,000,000 6.934 per cent. Subordinated Notes due 9 April 2018 (XS0356705219)

RBS EUR 144,400,000 Euro-zone Inflation Indexed Notes due 23 April 2023 (XS0357281046)

Schedule 4

NatWest EUR 100,000,000 Floating Rate Undated Subordinated Notes (XS0102480786)

NatWest EUR 400,000,000 Fixed/Floating Rate Undated Subordinated Notes (XS0102480869)

NatWest GBP 200,000,000 7.125 per cent. Undated Subordinated Step-Up Notes (XS0102493680)

NatWest GBP 325,000,000 7.625 per cent. Undated Subordinated Step-up Notes (XS0102493508)

NatWest GBP 200,000,000 11.5 per cent. Undated Subordinated Notes (XS0041078535)

NatWest USD 500,000,000 Primary Capital Floating Rate Notes (Series 'A') (GB0006267073)

NatWest USD 500,000,000 Primary Capital Floating Rate Notes (Series 'B') (GB0006267180)

NatWest USD 500,000,000 Primary Capital FRNs (Series 'C') (LU0001547172)

Schedule 5

NatWest GBP 300,000,000 7.875 per cent. Subordinated Notes due 2015 (XS0079432299)

NatWest GBP 300,000,000 6.50 per cent. Subordinated Notes due 2021 (XS0090254722)

NatWest EUR 500,000,000 5.125 per cent. Subordinated Notes due 2011 (XS0099026352)

NatWest EUR 600,000,000 6.00 per cent. Subordinated Notes due 2010 (XS0102406898)

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