

The Royal Bank of Scotland Group plc

(Incorporated in Scotland with limited liability under the Companies Acts 1948 to 1980, registered number 45551)

The Royal Bank of Scotland plc

(Incorporated in Scotland with limited liability under the Companies Acts 1948 to 1980, registered number 90312)

£25,000,000,000 Euro Medium Term Note Programme

On 22nd February, 1994 The Royal Bank of Scotland plc entered into a £1,500,000,000 (since increased from time to time and further increased as at the date hereof to £25,000,000,000) Euro Medium Term Note Programme (the "**Programme**") and issued a prospectus on that date describing the Programme. Further prospectuses describing the Programme were issued by The Royal Bank of Scotland plc, the latest prospectus being issued on 28th March, 2003, and a supplemental prospectus, supplementary to and to be read in conjunction with the prospectus dated 28th March, 2003 was issued by The Royal Bank of Scotland plc, on 21st November, 2003. This Prospectus supersedes any previous prospectus and supplemental prospectus. Any Notes (as defined below) issued under the Programme on or after the date of this Prospectus are issued subject to the provisions described herein. This does not affect any Notes issued before the date of this Prospectus.

Under the Programme The Royal Bank of Scotland Group plc (an "**Issuer**" or "**RBSG**") and The Royal Bank of Scotland plc (an "**Issuer**" or "**Royal Bank**" or "**RBS**" and together with RBSG the "**Issuers**") may, subject to compliance with all relevant laws, regulations and directives, from time to time issue notes (the "**Notes**") denominated in any currency agreed by the relevant Issuer and the relevant Dealer(s) (as defined below). The maximum aggregate nominal amount of all Notes from time to time outstanding will not exceed £25,000,000,000 (or its equivalent in other currencies, subject to increase as provided herein). Notes to be issued under the Programme may comprise (i) unsubordinated Notes ("**Ordinary Notes**"), (ii) Notes which are subordinated as described herein with a maturity date ("**Dated Subordinated Notes**") and (iii) Notes which are subordinated as described herein with no maturity date ("**Undated Subordinated Notes**").

The Notes may be issued on a continuing basis to one or more of the Dealers specified below and any additional Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each a "**Dealer**" and together the "**Dealers**").

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000, as amended (the "**FSMA**") (the "**UK Listing Authority**") for Notes issued under the Programme during the period of twelve months from the date of this Prospectus to be admitted to the official list of the UK Listing Authority (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's market for listed securities. Admission to the Official List together with admission to the London Stock Exchange's market for listed securities constitute official listing on the London Stock Exchange. Application has been made to the Luxembourg Stock Exchange for Notes to be issued under the Programme during the period of twelve months from the date of this Prospectus to be listed on the Luxembourg Stock Exchange. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each issue of Notes will be set forth in a pricing supplement (the "**Pricing Supplement**") which, with respect to Notes to be admitted to the Official List and admitted to trading on the London Stock Exchange and/or the Luxembourg Stock Exchange (the "**Listed Notes**") will be delivered to the UK Listing Authority and the London Stock Exchange and/or the Luxembourg Stock Exchange on or before the date of issue of such Notes. The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the relevant Issuer and the relevant Dealer(s). In particular, Notes denominated in Australian dollars and issued in the Australian domestic capital markets ("**Australian Domestic Notes**") may be listed on the Australian Stock Exchange. The Issuers may also issue unlisted Notes.

The Programme will be rated by Moody's Investors Service Limited, by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and by Fitch Ratings Limited. Notes issued under the Programme may be rated or unrated (in each case as specified in the applicable Pricing Supplement). Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to change, suspension or withdrawal at any time by the assigning rating agency.

Each of the Issuers may agree with any Dealer that Notes may be issued in a form not contemplated by the terms and conditions of the Notes herein, in which event (in the case of Listed Notes only), if appropriate, supplementary listing particulars will be made available which will describe the effect of the agreement reached in relation to such Notes.

Arranger

The Royal Bank of Scotland

Dealers

BNP PARIBAS
Goldman Sachs International
JPMorgan
Mizuho International plc
The Royal Bank of Scotland

Citigroup
HSBC
Merrill Lynch International
Nomura International
UBS Investment Bank

22nd April, 2004

The Issuers accept responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuers (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Copies of this Prospectus, which comprises listing particulars (the “**Listing Particulars**”) in relation to Notes issued under the Programme during the period of twelve months from the date of this Prospectus, approved as such by the UK Listing Authority pursuant to the FSMA, have been delivered for registration to the Registrar of Companies in Scotland. Copies of each Pricing Supplement (in the case of Listed Notes) will be available from FT Business Research Centre, operated by FT Electronic Publishing at Fitzroy House, 13-17 Epworth Street, London EC2A 4DL, and in the circumstances described below from the specified office of each of the Paying Agents (as defined herein).

Any reference in this document to Listing Particulars means this document excluding all information incorporated by reference. The Issuers have confirmed that any information incorporated by reference including any such information to which readers of this document are expressly referred, has not been and does not need to be included in the Listing Particulars to satisfy the requirements of the FSMA or the listing rules of the UK Listing Authority. The Issuers believe that none of the information incorporated in the Prospectus by reference conflicts in any material respect with the information included in the Listing Particulars.

In connection with the admission of the Notes to the Official List and the admission of the Notes to trading on the London Stock Exchange, each Issuer confirms that, if at any time after the publication of the Listing Particulars:–

- (a) there is a significant change affecting any matter contained in the Listing Particulars whose inclusion was required by Section 80(1) of the FSMA or by the listing rules made under Section 74 of the FSMA by the UK Listing Authority or by the UK Listing Authority; or
- (b) a significant new matter arises, the inclusion in the Listing Particulars of information in respect of which would have been so required if it had arisen when the Listing Particulars were prepared,

such Issuer shall give to The Royal Bank of Scotland plc in its capacity as authorised adviser (the “**Authorised Adviser**”) for the Listed Notes, each Dealer and The Law Debenture Trust Corporation p.l.c. in its capacity as trustee for the holder of the Notes (the “**Trustee**”) full information about such change or matter and shall publish such supplementary listing particulars as may be required by the UK Listing Authority, and shall otherwise comply with Sections 81 and 83 of the FSMA and the Listing Rules in that regard.

Each Issuer undertakes, in connection with the listing of the Notes on the Luxembourg Stock Exchange that if, while any of the Notes are outstanding under the Programme, there shall occur any material adverse change affecting such Issuer which is not reflected in the Prospectus or if the terms of the Programme are modified or amended in such a manner which would make the Prospectus, as supplemented, inaccurate or misleading in any material respect, such Issuer will prepare an amendment or supplement to the Prospectus or prepare a new Prospectus.

Notes, other than Australian Domestic Notes, may only be issued in bearer form and Australian Domestic Notes may only be issued in registered form (respectively, “**Bearer Notes**” and “**Registered Notes**”). Each Tranche (as defined below) of Bearer Notes will initially be represented by a temporary global Note which will be deposited on the issue date thereof with a common depositary on behalf of Euroclear Bank S.A./N.V., as operator of the Euroclear System (“**Euroclear**”), and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) and/or any other agreed clearance system. Such temporary global Note will be exchangeable as specified in the applicable Pricing Supplement for either a permanent global Note or Notes in definitive form, in each case as specified in the applicable Pricing Supplement, and in each case upon certification as to non-US beneficial ownership as required by U.S. Treasury regulations. A permanent global Note will be exchangeable for definitive Notes, in limited circumstances, as further described in the section of this Prospectus headed “Form of the Notes”. Registered Notes will take the form of entries in a register.

Although Royal Bank is authorised as a foreign authorised deposit taking institution to carry on banking business in Australia under the Banking Act 1959 of Australia, its present intention is that Australian Domestic Notes will be issued by Royal Bank acting through a branch outside Australia as specified in the relevant Pricing Supplement and, in such case, will constitute obligations of Royal Bank to be performed through such branch. If, however, Royal Bank decides to issue Australian Domestic Notes acting through a branch in Australia, appropriate amendments to the terms and conditions applicable to such Notes and further disclosure in respect of the tax implications of such an issue of Notes will be made in the relevant Pricing Supplement.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons (see “Subscription and Sale” on page 62).

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “Documents Incorporated by Reference” on page 4) provided, however, that such incorporated documents do not form part of the Listing Particulars. This Prospectus shall be read and construed on the basis that such documents are so incorporated and form part of this Prospectus (but do not form part of the Listing Particulars).

Neither the Dealers, the Australian Registrar (as defined below) nor the Trustee have separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by any of the Dealers, the Australian Registrar or the Trustee as to the accuracy or completeness of the information contained in this Prospectus or any financial statements or any other information provided by the Issuers in connection with the Programme or the Notes.

No person has been authorised to give any information or to make any representation not contained in or which is inconsistent with this Prospectus or any financial statements or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuers, any of the Dealers, the Australian Registrar or the Trustee.

Neither this Prospectus nor any financial statements or any other information supplied in connection with the Programme or the Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or a statement of opinion (or a report of either of those things) by the Issuers, any of the Dealers, the Australian Registrar or the Trustee that any recipient of this Prospectus or any financial statements or any other information supplied in connection with the Programme or the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the relevant Issuer. Neither this Prospectus nor any financial statements or any other information supplied in connection with the Programme or the Notes constitutes an offer or invitation by or on behalf of the Issuers, any of the Dealers, the Australian Registrar or the Trustee to any person to subscribe for or to purchase any Notes.

The delivery of this Prospectus does not at any time imply that the information contained in this Prospectus concerning the Issuers is correct at any time subsequent to the date of this Prospectus or that any other information supplied in connection with the Programme or the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers, the Australian Registrar and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuers or any of their subsidiaries during the life of the Programme. Investors should review, inter alia, the most recently published annual report and accounts of the Issuers when deciding whether or not to purchase any Notes.

The Issuers, the Dealers, the Australian Registrar and the Trustee do not represent that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuers, the Dealers, the Australian Registrar or the Trustee (save for the approval of this Prospectus as Listing Particulars by the UK Listing Authority, the delivery of copies of this document to the Registrar of Companies in Scotland and the submission of this Prospectus to the Luxembourg Stock Exchange) which would permit a public offering of the Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations, and the Dealers have represented accordingly.

The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Prospectus or any Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Prospectus and/or the offer or sale of Notes in the United States of America, the United Kingdom, Australia, Japan, Germany, The Netherlands, France and Switzerland (see “Subscription and Sale” on page 62).

All references in this Prospectus to “euro” and “EUR” refer to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community as amended, those to “Japanese Yen”, “Yen” and “¥” refer to the currency of Japan, those to “Sterling”, “£” and “pounds” refer to the currency of the United Kingdom, those to “Australian dollars” and “A\$” refer to the currency of Australia and those to “United States dollars” and “U.S.\$” refer to the currency of the United States of America.

In connection with the issue and distribution of any Tranche of Notes, the Dealer (if any) disclosed as the stabilising manager in the applicable Pricing Supplement or any person acting for it may, outside Australia and on a market operated outside Australia, over-allot or effect transactions with a view to supporting the market price of the Notes of the Series (as defined below) of which such Tranche forms part at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there may be no obligation on the stabilising manager or its agent to do this. Such stabilising if commenced, may be discontinued at any time, and must be brought to an end after a limited period.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Prospectus (provided, however, that such incorporated documents do not form part of the Listing Particulars):—

- (a) the most recently published annual report and accounts of the Issuers from time to time;
- (b) the most recently published interim financial statements of RBSG; and
- (c) all supplements to this Prospectus circulated by the Issuers from time to time in accordance with the undertakings given by the Issuers in the Programme Agreement described in “Subscription and Sale” on page 62 (the “**Programme Agreement**”),

save that any statement contained herein or in a document which is incorporated in whole or in part by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus (but not the Listing Particulars) to the extent that a statement contained in any subsequent document which is deemed to be incorporated in whole or in part by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

For the avoidance of doubt, Royal Bank does not publish any interim financial statements.

The Issuers will provide, without charge, to each person to whom a copy of this Prospectus has been delivered, upon the oral or written request of such person, a copy of any or all of the documents which are incorporated in whole or in part herein by reference. Written or oral requests for such documents should be directed to the Issuers at their principal office set out at the end of this Prospectus. In addition, such documents will be available, free of charge, from the principal office in London of the Authorised Adviser and from the principal office in Luxembourg of J.P. Morgan Bank Luxembourg S.A. in its capacity as paying agent (the “**Luxembourg Paying Agent**”).

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuers may, subject to compliance with all applicable laws, regulations and directives, from time to time issue Notes denominated in any currency as may be agreed with the relevant Dealer(s), subject as set out herein. A summary of the Terms and Conditions of the Notes and of the Programme appears on pages 6 to 10. The applicable terms of any Notes will be agreed between the relevant Issuer and the relevant Dealer(s) prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement with respect to each Tranche of Notes attached to, or endorsed on, such Notes, as more fully described under “Form of the Notes” and “Form of Pricing Supplement” on pages 11 to 18. Each such Pricing Supplement will, in the case of a Tranche of Notes which are to be admitted to the Official List and trading on the London Stock Exchange or the Luxembourg Stock Exchange, be delivered to the UK Listing Authority and London Stock Exchange or the Luxembourg Stock Exchange, where appropriate, on or before the date of issue of such Tranche.

Subject as set out herein, this Prospectus and any supplement hereto will only be valid for issuing and, if applicable, admitting Notes to the Official List and to trading on the London Stock Exchange and the Luxembourg Stock Exchange in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme (excluding for this purpose Notes due to be redeemed on the relevant day of calculation), does not exceed £25,000,000,000 or its equivalent in other currencies. For the purpose of calculating the Sterling equivalent of the aggregate nominal amount of Notes outstanding at any one time under the Programme:–

- (a) subject to paragraph (b) below, the Sterling equivalent of Notes denominated in another Specified Currency shall be calculated, at the discretion of the relevant Issuer, either as of the date of agreement to issue such Notes or on the day preceding such agreement on which commercial banks and foreign exchange markets settle payments in London, on the basis of the spot rate for the sale of Sterling against the purchase of such Specified Currency in the London foreign exchange market quoted by RBS or any leading bank selected by the relevant Issuer on the relevant day of calculation; and
- (b) the Sterling equivalent of Dual Currency Notes, Index Linked Notes, Zero Coupon Notes, Partly Paid Notes (each as described under “Summary of the Programme and Terms and Conditions of the Notes” on pages 6 to 10) or any other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the original nominal amount of such Notes (in the case of Partly Paid Notes regardless of the amount paid up on such Notes).

As used herein, “**Specified Currency**” means the currency (including any national currency unit (being a non-decimal denomination of the euro)) in which Notes are denominated and, in the case of Dual Currency Notes, the currency or currencies in which payment in respect of Notes is to be or may be made.

SUMMARY OF THE PROGRAMME AND TERMS AND CONDITIONS OF THE NOTES

The following summary does not purport to be complete and is taken from, and is qualified by, the remainder of this Prospectus and, in relation to the Terms and Conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” below shall have the same meanings in this summary, and references to a numbered “Condition” shall be to the relevant Condition under “Terms and Conditions of the Notes” below.

Issuers: The Royal Bank of Scotland Group plc
The Royal Bank of Scotland plc

Description: Euro Medium Term Note Programme

Arranger: The Royal Bank of Scotland plc

Dealers: BNP Paribas
Citigroup Global Markets Limited
Goldman Sachs International
HSBC Bank plc
J.P. Morgan Securities Ltd.
Merrill Lynch International
Mizuho International plc
Nomura International plc
The Royal Bank of Scotland plc
UBS Limited

Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “Subscription and Sale” on page 62).

Trustee: The Law Debenture Trust Corporation p.l.c.

Agent: JPMorgan Chase Bank.

Size: Up to £25,000,000,000 (or its equivalent in other currencies calculated as described herein) outstanding at any time. The Issuers may increase the amount of the Programme in accordance with the terms of the Programme Agreement.

Distribution: Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.

Currencies: Subject to any applicable legal or regulatory restrictions, such currencies as may be agreed between the relevant Issuer and the relevant Dealer(s), including, without limitation, euro, Japanese Yen, Sterling, Australian dollars and United States dollars (as indicated in the applicable Pricing Supplement).

Australian Domestic Notes: Royal Bank may issue Australian Domestic Notes but only in accordance with the following requirements.

Australian Domestic Notes:

- will be issued in registered form, constituted by the Deed Poll to be executed by Royal Bank and governed by the laws of New South Wales, Australia (the “**Deed Poll**”) and take the form of entries on a register to be maintained by J.P. Morgan Institutional Services Australia Limited (ABN 48 002 916 396) or such other Australian registrar appointed by Royal Bank and specified in the applicable Pricing Supplement (the “**Australian Registrar**”);

- will provide for payments of principal and interest to be made in Sydney;
- will provide for Royal Bank to submit to the jurisdiction of the courts of New South Wales;
- if they are to be listed, will be listed on the Australian Stock Exchange;
- will be eligible for lodgment into the Austraclear System operated by Austraclear Limited (ABN 94 002 060 773); and
- will be issued with a minimum subscription amount of A\$500,000 (disregarding moneys lent by Royal Bank or its associates) unless the offer otherwise does not require disclosure to investors in accordance with Part 6D.2 of the Corporations Act 2001 of Australia.

Maturities:

Any maturity (including undated Notes with no fixed redemption date) as may be agreed between the relevant Issuer and the relevant Dealer(s) and as indicated in the applicable Pricing Supplement subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body, however called) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency. Notwithstanding the foregoing, at the date of this Prospectus, in the case of Dated and Undated Subordinated Notes (as described in Condition 2(b) and 2(c) respectively) which qualify as Tier 2 or Tier 3 capital in accordance with the requirements of the Financial Services Authority, the minimum maturity will be five years and one day (Tier 2 capital) or two years (Tier 3 capital).

Any Notes issued by RBSG and having a maturity of less than one year from their date of issue must (a) have a minimum denomination of £100,000 (or its equivalent in other currencies) and be issued only 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 who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (b) be issued in other circumstances which do not constitute a contravention of Section 19 of the FSMA by RBSG.

Issue Price:

Notes may be issued on a fully paid or a partly paid basis and at an issue price which is at par or at a discount to, or premium over, par.

Form of Notes:

Each Tranche of Bearer Notes will initially be represented by a temporary global Note which will be deposited on the relevant Issue Date with a common depositary for Euroclear and Clearstream, Luxembourg and/or any other agreed clearance system and which will be exchangeable, upon request as described therein, either for a permanent global Note or definitive Notes (as indicated in the applicable Pricing Supplement and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Pricing Supplement), in each case not earlier than 40 days after the Issue Date upon certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations.

A permanent global Note may be exchanged, unless otherwise specified in the applicable Pricing Supplement, in limited circumstances as described therein, in whole or, in the circumstances described in “Form of the Notes” below, in part for definitive Notes upon not less than 60 days’ written notice to the Agent as described in “Form of the Notes” below. Any interest in a global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg and/or any other agreed clearance system, as applicable.

Registered Notes, being Australian Domestic Notes only, will take the form of entries in a register maintained by the Australian Registrar.

Fixed Rate Notes:	<p>Interest on Notes bearing interest on a fixed rate basis (“Fixed Rate Notes”) will be payable in arrear (unless otherwise specified in the applicable Pricing Supplement) on such date or dates as may be agreed between the relevant Issuer and the relevant Dealer(s) (as indicated in the applicable Pricing Supplement) and on redemption.</p> <p>Interest on Fixed Rate Notes will be calculated on the basis of the Fixed Coupon Amount specified in the applicable Pricing Supplement, or in the case of interest required to be calculated for a period of other than a full year, on the basis of the Day Count Fraction specified in the applicable Pricing Supplement.</p>
Floating Rate Notes:	<p>Notes bearing interest on a floating rate basis (“Floating Rate Notes”) will bear interest at a rate determined on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series), or on the basis of a reference rate appearing on an agreed screen page of a commercial quotation service or on such other basis as may be agreed between the relevant Issuer and the relevant Dealer(s) (as indicated in the applicable Pricing Supplement).</p> <p>The margin (the “Margin”) (if any) relating to such floating rate will be agreed between the relevant Issuer and the relevant Dealer(s) for each issue of Floating Rate Notes.</p> <p>Floating Rate Notes may also have a maximum rate of interest (the “Maximum Rate of Interest”), a minimum rate of interest (the “Minimum Rate of Interest”) or both.</p> <p>Interest on Floating Rate Notes in respect of each Interest Period (as defined in Condition 3(b)(i)), as selected prior to issue by the relevant Issuer and the relevant Dealer(s), will be payable on the first day of the next Interest Period and will be calculated on the basis of the Day Count Fraction specified in the applicable Pricing Supplement.</p>
Specified Periods for Floating Rate Notes:	Such period(s) as the relevant Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Pricing Supplement).
Change of Interest/Payment Basis:	Notes may be converted from one interest and/or payment basis (the “ Interest/Payment Basis ”) to another if so provided in the applicable Pricing Supplement.
Dual Currency Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Notes, the principal and/or interest in respect of which is or may be payable in one or more Specified Currencies other than the Specified Currency in which they are denominated (“ Dual Currency Notes ”) will be made in such currencies, and based on such rates of exchange, as the relevant Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Pricing Supplement).
Index Linked Notes:	Payments (whether in respect of principal and/or interest and whether at maturity or otherwise) in respect of Notes on which principal and/or interest is calculated by reference to an index (the “ Index ”) and/or a formula (the “ Formula ”) (such Notes referred to as “ Index Linked Notes ”) will be calculated by reference to such Index and/or Formula as the relevant Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Pricing Supplement).

Zero Coupon Notes:	Notes issued on a non-interest bearing basis (the “ Zero Coupon Notes ”) will be offered and sold at a discount to their nominal amount and will not bear interest (other than interest due after the Maturity Date in the case of late payment).
Partly Paid Notes:	Notes may be issued on a partly paid basis in which case interest will accrue on the paid-up amount of such Notes (or as otherwise indicated in the applicable Pricing Supplement).
Redemption:	<p>The Pricing Supplement relating to each Tranche of Notes will indicate either that the Notes of that Tranche cannot be redeemed prior to their stated maturity (other than in the case of Instalment Notes or for taxation reasons or following an Event of Default) or that such Notes will be redeemable prior to such stated maturity at the option of the relevant Issuer and/or the holders of such Notes upon giving not less than 45 nor more than 60 days’ irrevocable notice (or such other notice period (if any) as is indicated in the applicable Pricing Supplement) to the holders of such Notes or the relevant Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as are indicated in the applicable Pricing Supplement.</p> <p>No redemption of Dated Subordinated Notes or Undated Subordinated Notes for taxation reasons or otherwise at the option of the relevant Issuer, or any purchase of such Notes by the relevant Issuer, may be made with the prior consent of the Financial Services Authority.</p> <p>There is no fixed redemption date for Undated Subordinated Notes, and the relevant Issuer may only redeem them in accordance with the terms indicated in the applicable Pricing Supplement.</p> <p>The applicable Pricing Supplement may provide that Notes may be redeemed in two or more instalments of such amounts, on such dates and on such other terms as are indicated in such Pricing Supplement.</p>
Denomination of Notes:	Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer(s) and as indicated in the applicable Pricing Supplement save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body, however called) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency. Although there is no minimum denomination for Australian Domestic Notes, the minimum subscription price for Australian Domestic Notes will be A\$500,000 (disregarding moneys lent by Royal Bank or its associates) unless the offer otherwise does not require disclosure to investors in accordance with Part 6D.2 of the Corporations Act 2001 of Australia. The minimum denomination of Notes issued by RBSG which have a maturity of less than one year from their issue date shall be £100,000 (or its equivalent in other currencies).
Redenomination, Renominalisation and/or Reconventioning:	The applicable Pricing Supplement may provide that certain Notes may be redenominated into euro. The relevant provisions applicable to such redenomination, renominalisation and/or reconventioning will be set out in full in the applicable Pricing Supplement.
Variation of Terms and Conditions:	The relevant Issuer may agree with any Dealer(s) that Notes may be issued in a form not contemplated under “Terms and Conditions of the Notes”. The applicable Pricing Supplement will describe the effect of the agreement reached in relation to such Notes.
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed within the United Kingdom subject as provided in Condition 6.

Status of the Ordinary Notes:	The Ordinary Notes (as described in Condition 2(a)) will constitute direct, unconditional, unsecured and unsubordinated obligations of the relevant Issuer and will rank <i>pari passu</i> and without any preference among themselves and (save to the extent that laws affecting creditors' rights generally in a bankruptcy or winding up may give preference to any of such other obligations) equally with all other present and future unsecured and unsubordinated obligations of the relevant Issuer.
Status of the Dated Subordinated Notes:	<p>The Dated Subordinated Notes will constitute unsecured and subordinated obligations of the relevant Issuer and will rank <i>pari passu</i> without any preference among themselves, and the rights of holders of Dated Subordinated Notes will, in the event of the winding up of the relevant Issuer, be subordinated and postponed in right of payment in the manner provided in the Trust Deed and as specified in Condition 2(b).</p> <p>In certain circumstances payment of principal and interest due in respect of Dated Subordinated Notes qualifying as Tier 3 capital in accordance with Financial Services Authority requirements may be deferred.</p>
Status of the Undated Subordinated Notes:	The Undated Subordinated Notes will constitute unsecured and subordinated obligations of the relevant Issuer and will rank <i>pari passu</i> without any preference among themselves, and the rights of holders of Undated Subordinated Notes will, in the event of the winding up of the relevant Issuer, be subordinated and postponed in right of payment in the manner provided in the Trust Deed and as specified in Condition 2(c).
Rating:	The Programme will be rated by Moody's Investors Service Limited, by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and by Fitch Ratings Limited. Notes issued under the Programme may be rated or unrated (in each case as specified in the applicable Pricing Supplement). Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to change, suspension or withdrawal at any time by the assigning rating agency.
Listing:	Application has been made to admit Notes to be issued under the Programme to the Official List and to trading on the London Stock Exchange and/or the Luxembourg Stock Exchange. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the relevant Issuer and the relevant Dealer(s) in relation to each issue. In particular, Australian Domestic Notes may be listed on the Australian Stock Exchange. Unlisted Notes may also be issued. The Pricing Supplement relating to each issue will state whether or not, and, if so, on what stock exchange(s), the Notes are to be listed.
Governing Law:	The Notes (other than the Australian Domestic Notes) will be governed by, and construed in accordance with, English law. Australian Domestic Notes will be governed by, and construed in accordance with, the laws of New South Wales, Australia.
Selling Restrictions:	There are restrictions in relation to the offering and sale of Notes and the distribution of offering materials in certain jurisdictions. See "Subscription and Sale" on page 62.

None of the Trust Deed nor any of the Ordinary Notes, the Dated Subordinated Notes, the Undated Subordinated Notes or, in the case of Australian Domestic Notes, the Deed Poll contain any negative pledge covenant by the Issuers or any Events of Default other than those set out in Condition 8 (which does not include, inter alia, a cross default provision).

FORM OF THE NOTES

The Notes of each Tranche will be in either bearer form or, in the case of Australian Domestic Notes, registered form (respectively, “**Bearer Notes**” and “**Registered Notes**”). Bearer Notes and Registered Notes will be issued outside the United States in reliance on the exemption from registration provided by Regulation S under the Securities Act (“**Regulation S**”). Bearer Notes will not be issued in the Australian domestic capital markets. Australian Domestic Notes will only be issued in registered form.

Bearer Notes

Each Tranche of Notes will be initially represented by a temporary global Note in bearer form, without Receipts, Coupons or Talons (each as defined in “Terms and Conditions of the Notes” below), which will be delivered on the issue date for such Tranche to a common depositary for Euroclear and Clearstream, Luxembourg. Whilst any Note is represented by a temporary global Note, payments of principal and interest (if any) due prior to the Exchange Date (as defined below) will be made against presentation of the temporary global Note outside the United States and its possessions only to the extent that certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations (in the form referred to in the temporary global Note) has been received by Euroclear and/or Clearstream, Luxembourg. On and after the date (the “**Exchange Date**”) which is 40 days after the date on which the temporary global Note is issued, interests in the temporary global Note will be exchangeable (provided that, if it is a Partly Paid Note (as described below), all instalments of the subscription moneys due before the date of such exchange have been paid) either for interests in a permanent global Note without Receipts, Coupons or Talons or for definitive Notes (where the applicable Pricing Supplement so permits) in each case against certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations in accordance with the terms set out in the temporary global Note, unless such certification has already been given as described in the second sentence of this paragraph. The holder of a temporary global Note will not be entitled to receive any payment of interest or principal due on or after the Exchange Date. Pursuant to the Agency Agreement (as defined under “Terms and Conditions of the Notes” below) the Agent (as so defined) shall arrange that, where a further Tranche of Notes is issued, the Notes of such Tranche shall be assigned a common code and an ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series and shall remain different until at least 40 days after the completion of the distribution of the Notes of such further Tranche as certified by the Agent to the relevant Dealer(s).

Payments of principal and interest (if any) on a permanent global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the permanent global Note outside the United States and its possessions without any requirement for certification. Where the applicable Pricing Supplement so permits, a permanent global Note will (provided that, if it is a Partly Paid Note, all instalments of the subscription moneys due before the date of such exchange have been paid) be exchangeable (at the request of the Noteholder (as defined below)) in whole or (subject to the Notes which continue to be represented by the permanent global Note being regarded by Euroclear and Clearstream, Luxembourg as fungible with the definitive Notes issued in partial exchange for such permanent global Note) in part, for security printed definitive Notes with, where applicable, Receipts, Coupons and Talons attached, upon not less than 60 days’ written notice expiring at least 90 days after the Exchange Date from the Noteholder to the Agent as described therein, at the cost and expense of the relevant Issuer and only in the following circumstances: (i) the permanent global Note is held on behalf of Euroclear or Clearstream, Luxembourg and either of such clearing systems is closed for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, or (ii) an Event of Default (as defined in the Trust Deed) occurs in relation to the Notes represented by the permanent global Note, or (iii) the relevant Issuer is notified that the Trustee is satisfied that the relevant Issuer or any Paying Agent has or will become obliged to pay additional amounts as provided or referred to in Condition 6 (Taxation) which would not be required were the Notes represented by the permanent global Note to be in definitive form. Global Notes and definitive Notes will be issued pursuant to the Agency Agreement. No definitive Note delivered in exchange for a permanent global Note will be mailed or otherwise delivered to any location in the United States in connection with such exchange. At the date hereof, neither Euroclear nor Clearstream, Luxembourg regard Notes in global form as fungible with Notes in definitive form. Temporary global Notes, permanent global Notes and definitive Notes will be authenticated and delivered by the Agent on behalf of the relevant Issuer.

The following legend will appear on all global Notes, definitive Notes, Receipts, Coupons and Talons:–

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”

For so long as any of the Notes are represented by a global Note, each person who is for the time being shown in the records of Euroclear and/or Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear and/or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the relevant Issuer, the Trustee, the Agent and any Paying Agent (as defined in “Terms and Conditions of the Notes” below) as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal (including premium (if any)) and interest on such Notes, the right to which shall be vested, as against the relevant Issuer, the Trustee and any Paying Agent, solely in the bearer of the global Note in accordance with and subject to its terms (or the Trustee in accordance with the Trust Deed) and the expressions “**Noteholder**”, “**holder of Notes**” and related expressions shall be construed accordingly. Notes which are represented by a global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear and/ or Clearstream, Luxembourg, as the case may be.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearance system approved by the relevant Issuer, the Agent and the Trustee.

Registered Notes

The Australian Domestic Notes will be Registered Notes. Such Notes will be constituted by the Deed Poll and will take the form of entries on a register to be maintained by the Australian Registrar, all as more fully described in the applicable Pricing Supplement.

Form of Pricing Supplement

Set out below is the form of Pricing Supplement for each Tranche of Bearer Notes which will contain such of the following information (which may be modified in relation to any particular issue of Notes by agreement between the relevant Issuer, the Agent and the relevant Dealer(s)) as is applicable in respect of such Notes. Pricing Supplements for Australian Domestic Notes will be in similar form but will also contain provisions relating to Australian laws and regulations, the Deed Poll and the Registry Services Agreement.

Pricing Supplement dated []

[The Royal Bank of Scotland Group plc

*(Incorporated in Scotland under the Companies Acts 1948 to 1980
with registered number 45551)]*

[The Royal Bank of Scotland plc

*(Incorporated in Scotland with limited liability under the
Companies Acts 1948 to 1980 with registered number 90312)]*

[Description of Notes]

Issue Price: [] per cent.

£25,000,000,000

Euro Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated [], 2004 [and the supplemental Prospectus dated []]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Prospectus [as so supplemented].

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.]

1. Issuer: []
2. [(i)] Series Number: []
[(ii)] Tranche Number: []
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.)]
3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount:
[(i)] Series: []
[(ii)] Tranche: []
5. [(i)] Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (in the case of fungible issues only, if applicable)]
[(ii)] Net proceeds: [] (*Required only for listed issues*)
6. Specified Denominations: [] (*NB: Where RBSG is specified as the Issuer and the Maturity Date is less than 1 year from the Issue Date, the Specified Denomination must be at least £100,000 or its equivalent in other currencies*)

7. [(i)] Issue Date: []
 [(ii)] Interest Commencement Date: []
8. Maturity Date: *[specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]*
9. Interest Basis: [[]% Fixed Rate]
 [[*specify reference rate*] +/- []% Floating Rate]
 [Zero Coupon]
 [Index Linked Interest]
 [Other (*specify*)]
 (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
 [Index Linked Redemption]
 [Dual Currency]
 [Partly Paid]
 [Instalment]
 [Other (*specify*)]
11. Change of Interest or Redemption/Payment Basis: *[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]*
12. Put/Call Options: [Investor Put]
 [Issuer Call]
 [(further particulars specified below)]
13. Status of the Notes: [Ordinary Notes] [Dated Subordinated Notes]
 [Undated Subordinated Notes]
(If Dated Subordinated Notes consider if Condition 2(b)(iv) should be specified as applying)
14. Listing: [London/Luxembourg/other (*specify*)/None]
15. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate[(s)] of Interest: [] per cent. per annum [payable annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [] in each year *[adjusted in accordance with specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]*[not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [] per [] in Nominal Amount
- (iv) Broken Amount(s): *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]]*
- (v) Day Count Fraction: [30/360 / Actual/Actual/(ISMA/ISDA) / other]
- (vi) Determination Date(s): [] in each year *(insert regular Interest Payment Dates, ignoring Issue Date or Maturity Date in the case of a long or short first or last coupon) (NB: Only relevant where Day Count Fraction is Actual/Actual (ISMA))*

- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
17. **Floating Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph.)
- (i) Interest Period(s): []
- (ii) Specified Interest Payment Dates: []
- (iii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Convention/Preceding Business Day Convention/other (give details)]
- (iv) Business Centre(s): []
- (v) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (give details)]
- (vi) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]): []
- (vii) Screen Rate Determination:
- Reference Rate: []
 - Interest Determination Date(s): []
 - Relevant Screen Page: []
- (viii) ISDA Determination:
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (ix) Margin(s): [+/–] per cent. per annum
- (x) Minimum Rate of Interest: [] per cent. per annum
- (xi) Maximum Rate of Interest: [] per cent. per annum
- (xii) Day Count Fraction: []
- (xiii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
18. **Zero Coupon Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) [Amortisation/Accrual] Yield: [] per cent. per annum
- (ii) Reference Price: []
- (iii) Any other formula/basis of determining amount payable: []
19. **Index Linked Note Interest Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Index/Formula: [give or annex details]
- (ii) Calculation Agent responsible for calculating the interest due: []
- (iii) Provisions for determining Coupons where calculation by reference to Index and/or Formula is impossible or impracticable: []

- (iv) Interest Period(s): []
- (v) Specified Interest Payment Dates: []
- (vi) Business Day Convention: [Floating Rate Convention/
Following Business Day Convention/Modified
Following Business Day Convention/Preceding
Business Day Convention/other (*give details*)]
- (vii) Business Centre(s): []
- (viii) Minimum Rate of Interest: [] per cent. per annum
- (ix) Maximum Rate of Interest: [] per cent. per annum
- (x) Day Count Fraction: []
20. **Dual Currency Note Provisions** [Applicable/Not Applicable]
(*If not applicable, delete the remaining
sub-paragraphs of this paragraph*)
- (i) Rate of Exchange/method of calculating
Rate of Exchange: [*give details*]
- (ii) Calculation Agent, if any, responsible for
calculating the principal and/or interest due: []
- (iii) Provisions applicable where calculation by
reference to Rate of Exchange impossible
or impracticable: []
- (iv) Person at whose option Specified
Currency(ies) is/are payable: []

PROVISIONS RELATING TO REDEMPTION

21. **Call Option** [Applicable/Not Applicable]
(*If not applicable, delete the remaining sub-
paragraphs of this paragraph*)
- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption Amount(s) of each
Note and method, if any, of calculation
of such amount(s): [] per Note of [] Specified
Denomination
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: []
- (b) Maximum Redemption Amount: []
- (iv) Notice period (if other than as set out in
the Conditions): []
22. **Put Option** [Applicable/Not Applicable]
(*If not applicable, delete the remaining
sub-paragraphs of this paragraph*)
- (i) Optional Redemption Date(s): [] per Note of [] Specified
- (ii) Optional Redemption Amount(s) of each
Note and method, if any, of calculation
of such amount(s): Denomination
- (iii) Notice period (if other than as set out in
the Conditions): []
23. **Final Redemption Amount of each Note** [[] per Note of [] Specified
Denomination/other/see Appendix]
24. **Early Redemption Amount**
- Early Redemption Amount(s) payable on
redemption for tax reasons or on event of
default and/or the method of calculating the
same (if required or if different from that set
out in the Conditions): []
[*(If the Notes are Undated Subordinated Notes,
redemption for tax reasons may not take
place for 5 years from the Issue Date)*]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- | | |
|---|---|
| 25. Form of Notes: | [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note.]
[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date.]
[Permanent Global Note exchangeable for Definitive Notes on [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]. |
| 26. Financial Centre(s) or other special provisions relating to Payment Dates: | [Not Applicable/give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which items 16(ii), 17(iv) and 19(vi) relate] |
| 27. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): | [Yes/No. If yes, give details] |
| 28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: | [Not Applicable/give details] |
| 29. Details relating to Instalment Notes: amount of each instalment, date on which payment is to be made: | [Not Applicable/give details] |
| 30. Redenomination, renominatisation and reconventioning provisions: | [Not Applicable/The provisions annexed to this Pricing Supplement apply] |
| 31. Consolidation provisions: | [Not Applicable/The provisions [in Condition 15] [annexed to this Pricing Supplement] apply] |
| 32. Other terms or special conditions: | [Not Applicable/give details] |

DISTRIBUTION

- | | |
|---|-------------------------------|
| 33. (i) If syndicated, names of Managers: | [Not Applicable/give names] |
| (ii) Stabilising Manager (if any): | [Not Applicable/give names] |
| 34. If non-syndicated, name of Dealer: | [Not Applicable/give name] |
| 35. Additional selling restrictions: | [Not Applicable/give details] |

OPERATIONAL INFORMATION

- | | |
|--|---|
| 36. ISIN Code: | [] |
| 37. Common Code: | [] |
| 38. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): | [Not Applicable/give name(s) and number(s)] |
| 39. Delivery: | Delivery [against/free of] payment |
| 40. Additional Paying Agent(s) (if any): | [] |

[STABILISATION

The Stabilising Manager or any person acting for him may over-allot or effect transactions with a view to supporting the market price of the Notes at a higher level than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager or any agent of his to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with all relevant laws and regulations.]

[LISTING APPLICATION

This Pricing Supplement comprises the details required to list the issue of Notes described herein pursuant to the £25,000,000,000 Euro Medium Term Note Programme of The Royal Bank of Scotland Group plc and The Royal Bank of Scotland plc]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By:

Duly authorised

If the applicable Pricing Supplement in relation to a specific Tranche of Notes specifies any modification to the Terms and Conditions of the Notes as described herein, it is envisaged that, to the extent that such modifications (not being significant for the purposes of Section 81 of the Financial Services and Markets Act 2000 and the Listing Rules) relate only to Conditions 1, 3, 4, 5 (except Condition 5(b)), 9, 10, 11, 12 (insofar as Notes are not listed on any stock exchange) and 15, they will not necessitate the preparation and issue of supplementary listing particulars. If the Terms and Conditions of the Notes are to be modified in any other respect, supplementary listing particulars or further listing particulars describing the modification will be prepared, if appropriate.

TERMS AND CONDITIONS OF THE NOTES

The following are (subject to amendment and other than the paragraphs in italics) the Terms and Conditions of Bearer Notes which will be (i) incorporated by reference into each global Note; (ii) endorsed upon each definitive Note (if any) or incorporated therein by reference and (iii) incorporated by reference in the Deed Poll as the terms and conditions of Registered Notes. The applicable Pricing Supplement (as defined below) in relation to any Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purposes of such Notes. Reference should be made to Form of the Notes above for the form of Pricing Supplement which will include the definition of certain terms used in the following Terms and Conditions.

In these Terms and Conditions, the expression “**Notes**” shall mean (i) in relation to any Notes represented by a global Note, units of the lowest Specified Denomination in the Specified Currency (each as defined in the applicable Pricing Supplement (as defined below)) of the relevant Notes, (ii) definitive Notes issued in exchange for a temporary global Note or a permanent global Note, (iii) any global Note and (iv) Australian Domestic Notes (as defined below). The Notes are constituted by (a) in the case of Notes other than Notes denominated in Australian dollars and issued by The Royal Bank of Scotland plc in the Australian domestic capital markets (“**Australian Domestic Notes**”), a Trust Deed (the “**Original Trust Deed**”) dated 22nd February, 1994 as subsequently modified and restated most recently by a Tenth Supplemental Trust Deed dated 22nd April, 2004 (the “**Tenth Supplemental Trust Deed**”) made between The Royal Bank of Scotland plc (“**Royal Bank**” or an “**Issuer**”), The Royal Bank of Scotland Group plc (“**RBSG**” or an “**Issuer**” and, together with Royal Bank, the “**Issuers**”) and The Law Debenture Trust Corporation p.l.c. (the “**Trustee**”, which expression shall include any successor as trustee) as Trustee for the holders for the time being of the Notes (the “**Noteholders**”, which expression shall, in relation to any Notes represented by a global Note, be construed as provided in Condition 1 below) (the Original Trust Deed as so modified and amended and as further amended and/or supplemented from time to time, the “**Trust Deed**”), or (b) in the case of Australian Domestic Notes, the Deed Poll (as defined in Condition 1). References in Conditions 1 to 18 (inclusive) to “the Issuer” are to the entity named as such in the applicable Pricing Supplement.

Interest-bearing definitive Notes will have interest coupons (“**Coupons**”) and, if applicable, talons for further Coupons (“**Talons**”) attached on issue. Any reference herein to Coupon(s) or Couponholder(s) (as defined below) shall, unless the context otherwise requires, be deemed to include a reference to Talon(s) or Talonholder(s) (as defined below). Definitive Notes redeemable in instalments will have receipts attached on issue (“**Receipts**”) for the payment of the instalments of principal.

Payments in respect of the Notes (other than Australian Domestic Notes) will be made under an amended and restated Agency Agreement dated 22nd April, 2004 and made between the Issuers, JPMorgan Chase Bank as agent (the “**Agent**”, which expression shall include any successor as agent), the paying agent named therein (together with the Agent, the “**Paying Agents**”) and the Trustee (such Agreement as further amended, supplemented or restated from time to time, the “**Agency Agreement**”).

Payments in respect of Australian Domestic Notes will be made under an Agency and Registry Agreement made between Royal Bank, the Trustee and J.P. Morgan Institutional Services Australia Limited (ABN 48 002 916 396) as registrar as further amended or supplemented from time to time (the “**Registry Services Agreement**”).

Notes may be issued at such times as shall be agreed between the relevant Issuer and the relevant Dealer(s) pursuant to an amended and restated Programme Agreement dated 22nd April, 2004 between the Issuers and the Dealers named therein. The relevant Issuer and the relevant Dealer(s) shall, prior to the time of issue of any Notes, agree upon the relevant provisions of the Notes to be issued pursuant to the terms set out below, such provisions to be indicated in the applicable Pricing Supplement, which may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify them for the purposes of this Note. References herein to the “**applicable Pricing Supplement**” are to the Pricing Supplement attached hereto or endorsed hereon and expressions defined or used in the applicable Pricing Supplement shall have the same meanings in these Terms and Conditions, unless the context otherwise requires or unless otherwise stated.

The following statements are summaries of the detailed provisions of the Trust Deed and the applicable Pricing Supplement. Copies of the Trust Deed (which contains the forms of the Notes, Receipts, Coupons and Talons), together with copies of the Agency Agreement which contains the form of the Pricing Supplement for each issue of Notes, will be available for inspection at the registered office of the Trustee being at the date hereof at Fifth Floor, 100 Wood Street, London EC2V 7EX and at the specified office of

each of the Paying Agents. A copy of the Pricing Supplement in relation to Notes other than Australian Domestic Notes may be obtained from the specified office of each of the Paying Agents. A copy of the Deed Poll, the Registry Services Agreement and Pricing Supplement in relation to Australian Domestic Notes may be obtained from the specified office of the Australian Registrar. The Noteholders, the holders of the Receipts (the “**Receiptholders**”), the holders of the Coupons (the “**Couponholders**”) and the holders of the Talons (the “**Talontholders**”) will be deemed to have notice of, and will be entitled to the benefit of, all the provisions of the Trust Deed and the Agency Agreement and, in respect of Australian Domestic Notes, the Deed Poll, as defined below, and the Registry Services Agreement, which will be binding on them. Words and expressions defined in the Trust Deed shall have the same meanings where used herein unless the context otherwise requires or unless otherwise stated.

As used herein, “**Series**” means the Notes of each original issue of Notes together with the Notes of any further issues expressed to be consolidated and form a single series with the Notes of an original issue and which are denominated in the same currency and the terms of which (save for the Issue Date, the Interest Commencement Date or the Issue Price) are otherwise identical (including whether or not they are listed on any stock exchange) and shall be deemed to include the temporary and permanent global Notes and the definitive Notes of such Series; and the expressions “**Notes of the relevant Series**” and “**holders of Notes of the relevant Series**” and related expressions shall be construed accordingly. As used herein, “**Tranche**” means all Notes of the same Series with the same Issue Date, Interest Commencement Date and Issue Price.

The obligations of the relevant Issuer in respect of payments of principal and interest on the Undated Subordinated Notes are conditional upon the relevant Issuer being solvent at the time of payment by the relevant Issuer and immediately thereafter. Neither these Conditions nor the Trust Deed provide any remedy for non-payment of interest in respect of the Undated Subordinated Notes so long as no dividend has been paid or declared in respect of any class of share capital of (1) RBSG (if at the relevant time RBSG is the Holding Company (as defined below)), or (2) the Holding Company (if at the relevant time the Holding Company is a company other than RBSG), or (3) Royal Bank to any person who is not a member of the Group (as defined below), or (4) RBSG (if at the relevant time the Holding Company is a company other than RBSG) to any person who is not a member of the Group, in the twelve months immediately preceding the applicable Interest Payment Date. In the event of a winding up of the relevant Issuer, the right to claim for interest (including Arrears of Interest (as defined in Condition 3(f)) may be limited by applicable insolvency laws.

1. Form, Denomination and Title

The Notes, other than Australian Domestic Notes, are in bearer form and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s) specified in the applicable Pricing Supplement.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, or any combination of the foregoing depending upon the Interest/Payment Basis shown in the applicable Pricing Supplement. It is also an Index Linked Note (where payment in respect of principal and/or interest is linked to an Index and/or Formula) and/or a Dual Currency Note and/or a Partly Paid Note and/or an Instalment Note if in each case the applicable Pricing Supplement so indicates and the appropriate provisions of these Terms and Conditions will apply accordingly.

In addition, the Notes will provide that the rights of Noteholders with regard to payments of principal will either be (i) unsubordinated (“**Ordinary Notes**”), (ii) subordinated in the manner described under Condition 2(b) below with a fixed redemption date (“**Dated Subordinated Notes**”) or (iii) subordinated in the manner described under Condition 2(c) below with no fixed redemption date (“**Undated Subordinated Notes**”).

Subject as set out below, title to the Notes, Receipts (if any) and Coupons will pass by delivery. The Issuer, the Replacement Agent (as defined in the Agency Agreement) and any Paying Agent may (to the fullest extent permitted by applicable law) deem and treat the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not such Note, Receipt or Coupon shall be overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any global Note, without prejudice to the provisions set out in the next succeeding paragraph. The holder of each Receipt or Coupon, whether or not such Receipt or Coupon is attached to a Note, shall be subject to and bound by all the provisions contained in the relevant Note.

For so long as any of the Notes of this Tranche is represented by a global Note held on behalf of Euroclear Bank S.A./N.V., as operator of the Euroclear System (“**Euroclear**”) and/or Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”), each person who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the

nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee and any Paying Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal and interest on such Notes, the right to which shall be vested, as against the Issuer, the Trustee and any Paying Agent, solely in the bearer of the relevant global Note in accordance with and subject to its terms (or the Trustee in accordance with the Trust Deed) (and the expressions “**Noteholder**” and “**holder of Notes**” and related expressions shall be construed accordingly). Notes which are represented by a global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear or of Clearstream, Luxembourg, as the case may be.

Any reference to “**Euroclear**” and/or “**Clearstream, Luxembourg**” shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer, the Trustee and the Agent.

The following provisions of this Condition 1 shall apply to Australian Domestic Notes (which may only be issued by Royal Bank) in place of the foregoing provisions of this Condition 1 in the event of any inconsistency.

Australian Domestic Notes are debt obligations of the Issuer owing under the Deed Poll to be executed by the Issuer in favour of the relevant Noteholders and the Trustee (the “**Deed Poll**”) and take the form of entries in a register (the “**Australian Register**”) to be maintained by J.P. Morgan Institutional Services Australia Limited (ABN 48 002 916 396) or such other Australian registrar appointed by the Issuer and specified in the applicable Pricing Supplement (the “**Australian Registrar**”). Although Australian Domestic Notes will not be constituted by the Trust Deed, Australian Domestic Notes will have the benefit of the other provisions of the Trust Deed. The Agency Agreement is not applicable to Australian Domestic Notes.

Australian Domestic Notes will not be serially numbered. Each entry in the Australian Register constitutes a separate and individual acknowledgement to the relevant Noteholder of the indebtedness of the Issuer to the relevant Noteholder. No certificate or other evidence of title will be issued by or on behalf of the Issuer to evidence title to an Australian Domestic Note unless the Issuer determines that certificates should be made available or it is required to do so pursuant to any applicable law or regulation.

No Australian Domestic Note will be registered in the name of more than four persons. Any such Note registered in the name of more than one person is held by those persons as joint tenants. Australian Domestic Notes will be registered by name only without reference to any trusteeship. The person registered in the Australian Register as a holder of an Australian Domestic Note will be treated by the Issuer, the Trustee and the Australian Registrar as the absolute owner of that Australian Domestic Note and none of the Issuer, the Trustee or the Australian Registrar will, except as ordered by a court or as required by statute, be obliged to take notice of any other claim to an Australian Domestic Note.

Australian Domestic Notes may only be issued by the Issuer if (a) the consideration payable by the relevant Noteholder at the time of issue is at least A\$500,000 (disregarding moneys lent by the offeror or its associates) or if the Australian Domestic Notes are otherwise issued in a manner which would not require disclosure to investors under Part 6D.2 of the Corporations Act 2001 of Australia and (b) each subscription is in compliance with all applicable laws, regulations or directives.

Australian Domestic Notes may be transferred in whole but not in part. Australian Domestic Notes will be transferred by duly completed and (if applicable) stamped transfer and acceptance forms in the form specified by, and obtainable from, the Australian Registrar or by any other manner approved by the Issuer and the Australian Registrar. Notes entered in the Austraclear System (as defined below) will be transferable only in accordance with the Austraclear Regulations (as defined below).

Unless the Australian Domestic Notes are lodged in the Austraclear System, application for the transfer of Australian Domestic Notes must be made by the lodgment of a transfer and acceptance form with the Australian Registrar. Each transfer and acceptance form must be accompanied by such evidence (if any) as the Australian Registrar may require to prove the title of the transferor or the transferor’s right to transfer the Australian Domestic Notes and must be signed by both the transferor and the transferee.

Notes may only be transferred in, to or from Australia if (a) the transfer is in compliance with the laws of the jurisdiction in which the transfer takes place, (b) the aggregate consideration payable by the transferee at the time of transfer is at least A\$500,000 (disregarding moneys lent by the transferor or its associates) or the transfer otherwise does not require disclosure to investors under Part 6D.2 of the Corporations Act 2001 of Australia and (c) the transfer is in compliance with all applicable laws, regulations or directives. Australian Domestic Notes may only be transferred between persons in a jurisdiction or jurisdictions other than Australia if (y) a transfer and acceptance form is signed outside Australia, and (z) the transfer is in

compliance with the laws of the jurisdiction in which the transfer takes place. A transfer to an unincorporated association is not permitted.

In these Conditions:

“**Austraclear**” means Austraclear Limited (ABN 94 002 060 773).

“**Austraclear Regulations**” means the regulations known as the “**Austraclear System Regulations**” established by Austraclear (as amended or replaced from time to time) to govern the use of the Austraclear System.

“**Austraclear System**” means the system operated by Austraclear for holding securities and the electronic recording and settling of transactions in those securities between members of that system.

2. Status of the Notes

(a) *Status of the Ordinary Notes*

The Ordinary Notes and the Receipts and Coupons relating thereto (if any) constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves and (save to the extent that laws affecting creditors rights generally in a bankruptcy or winding up may give preference to any of such other obligations) equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding.

(b) *Status of the Dated Subordinated Notes*

(i) *Status*

The Dated Subordinated Notes and the Receipts and Coupons relating thereto (if any) constitute unsecured and, in accordance with paragraph (ii) below, subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves.

(ii) *Subordination*

Claims against the Issuer in respect of the principal of and interest on the Dated Subordinated Notes will be subordinated, in the event of the winding up of the Issuer, to the claims of Senior Creditors (as defined below) in that amounts in respect of such principal and interest shall be due and payable by the Issuer in such winding up only if and to the extent that the Issuer could make payment thereof rateably with the claims of other Subordinated Creditors (as defined below) and still be solvent immediately thereafter. For this purpose, the Issuer shall be considered to be solvent if it is able to pay its debts to Senior Creditors in full.

A report in writing as to the solvency of the Issuer by its liquidator shall, unless the contrary is proved, be treated and accepted by the Issuer, the Trustee and the holders of the Dated Subordinated Notes (the “**Dated Subordinated Noteholders**”), the Receipts (if any) relating thereto (the “**Dated Subordinated Receipts**”) and “**Dated Subordinated Receiptholders**” will be construed accordingly) and the Coupons (if any) relating thereto (the “**Dated Subordinated Coupons**”) and “**Dated Subordinated Couponholders**” will be construed accordingly) as correct and sufficient evidence thereof.

In this paragraph (ii) and in paragraph (iii) “**Senior Creditors**” means creditors of the Issuer whose claims are admitted to proof in the winding up of the Issuer and who are unsubordinated creditors of the Issuer, and “**Subordinated Creditors**” means creditors of the Issuer (including, without limitation, the Dated Subordinated Noteholders, the Dated Subordinated Receiptholders and the Dated Subordinated Couponholders) whose claims against the Issuer are subordinated in the event of the winding up of the Issuer in any manner to the claims of any unsecured and unsubordinated creditor of the Issuer, but excluding those subordinated creditors of the Issuer (if any) (including, without limitation, Undated Subordinated Noteholders and Undated Subordinated Couponholders) whose claims are expressed to, or so as to, rank junior to the claims of the Dated Subordinated Noteholders, the Dated Subordinated Receiptholders and the Dated Subordinated Couponholders and/or to the claims of any other creditors of the Issuer whose claims are expressed to, or so as to, rank *pari passu* with the claims of the Dated Subordinated Noteholders, the Dated Subordinated Receiptholders and the Dated Subordinated Couponholders.

(iii) *Set-Off*

Subject to applicable law, neither any Dated Subordinated Noteholder, Dated Subordinated Receiptholder or Dated Subordinated Couponholder nor the Trustee may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Dated Subordinated Notes, the Dated Subordinated Receipts or the Dated Subordinated Coupons and each Dated Subordinated

Noteholder, Dated Subordinated Receiptholder and Dated Subordinated Couponholder shall, by virtue of his subscription, purchase or holding of any Dated Subordinated Note, Dated Subordinated Receipt or Dated Subordinated Coupon, be deemed to have waived all such rights of set-off. To the extent that, on a winding up of the Issuer any set-off takes place, whether by operation of law or otherwise, between: (y) any amount owed by the Issuer to a Dated Subordinated Noteholder, a Dated Subordinated Receiptholder or a Dated Subordinated Couponholder arising under or in connection with the Dated Subordinated Notes, the Dated Subordinated Receipts or the Dated Subordinated Coupons; and (z) any amount owed to the Issuer by such Dated Subordinated Noteholder, Dated Subordinated Receiptholder or, as the case may be, Dated Subordinated Couponholder, such Dated Subordinated Noteholder, Dated Subordinated Receiptholder or, as the case may be, Dated Subordinated Couponholder will immediately transfer such amount which is set off to the liquidator (or other relevant insolvency official of the Issuer) to be held on trust for the Senior Creditors.

(iv) *Dated Subordinated Notes: Deferral of Payments*

In the case of Dated Subordinated Notes in relation to which this Condition 2(b)(iv) is specified in the relevant Pricing Supplement as applying, the Issuer shall be entitled, by notice in writing to the Trustee (a “**Deferral Notice**”), to defer the due date for payment of any principal or interest in respect of such Dated Subordinated Notes, and, accordingly, on the giving of such Deferral Notice the due date for payment of such principal or interest (the “**Deferred Payment**”) shall be so deferred and the Issuer shall not be obliged to make payment thereof on the date the same would otherwise have become due and payable, and such deferral of payment shall not constitute a default by the Issuer for any purpose. Accordingly the applicable provisions of these Terms and Conditions in relation to such Dated Subordinated Notes shall in all respects have effect subject to this Condition 2(b)(iv). The Issuer may not give a Deferral Notice except in circumstances where the Financial Services Authority has required or requested the Issuer to defer payment of the relevant Deferred Payment. Interest will accrue on principal deferred as aforesaid in accordance with the provisions of these Terms and Conditions and the Trust Deed, save that such interest shall only become due and payable at such time as the principal in respect of which it has accrued becomes due and payable under the following sentence. Promptly upon being satisfied that the Financial Services Authority will not object to the payment of the whole or any part of any Deferred Payment, the Issuer shall give to the Trustee written notice thereof (the “**Payment Notice**”) and the relevant Deferred Payment (or the appropriate part of it) and any accrued interest as aforesaid shall become due and payable on the seventh day after the date of such Payment Notice. In addition, all Deferred Payments which remain unpaid shall become due and payable in full on the commencement (as defined in the Trust Deed) of a winding up of the Issuer. Where more than one Deferred Payment remains unpaid, payment of part thereof shall be made pro rata according to the amounts of such Deferred Payments remaining unpaid and of any accrued interest as aforesaid remaining unpaid. The Issuer shall promptly give notice to the Dated Subordinated Noteholders of the relevant Series in accordance with Condition 12 of any Deferral Notice or Payment Notice.

In the case of Dated Subordinated Notes which constitute Tier 3 capital, the Financial Services Authority requires the Issuer to notify it if the Issuer's allowable capital falls below the Issuer's individual capital requirement and the Financial Services Authority may require deferral of payments of principal and interest in respect of such Dated Subordinated Notes in such circumstances.

(c) *Status of the Undated Subordinated Notes*

(i) *Status*

The Undated Subordinated Notes and the Coupons relating thereto constitute unsecured and, in accordance with paragraph (ii) below, subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves.

(ii) *Subordination*

- (x) The rights of the Trustee and the holders of the Undated Subordinated Notes (the “**Undated Subordinated Noteholders**”) and the Coupons relating thereto (the “**Undated Subordinated Coupons**”, and “**Undated Subordinated Couponholders**”) will be construed accordingly) in respect of the principal of and interest on the Undated Subordinated Notes are subordinated to the claims of Senior Creditors (as defined below) and, accordingly, payments in respect of the principal of and interest on the Undated Subordinated Notes are conditional upon the Issuer being solvent at the time of payment by the Issuer, and the Issuer shall have no liability to pay any amount in respect of the principal of and interest on the Undated Subordinated Notes to the extent that the Issuer is insolvent or would become insolvent as a result of making such payment. For the purposes of this Condition 2(c)(ii)(x) the Issuer shall be solvent if (1) it is able

to pay its debts as they fall due and (2) its Assets (as defined below) exceed its Liabilities (as defined below) to Senior Creditors. The Trust Deed contains provisions requiring a report as to the solvency of the Issuer to be made by two directors of the Issuer or, in certain circumstances as provided in the Trust Deed, the Auditors (as defined in the Trust Deed) or, if the Issuer is in winding up, its liquidator or, if in administration, its administrator prior to any payment in respect of the principal of and interest on the Undated Subordinated Notes and also prior to the purchase of any Undated Subordinated Notes beneficially by or for the account of the Issuer. Any such report shall, in the absence of proven error, be treated and accepted by the Issuer, the Trustee and the Undated Subordinated Noteholders and Undated Subordinated Couponholders as correct and sufficient evidence of such solvency.

- (y) If, at any time, the Issuer is in winding up (except in the case of a solvent winding up solely for the purposes of a reconstruction, amalgamation, reorganisation, merger or consolidation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed)) or an administrator appointed in respect of the Issuer has given notice that he/she intends to declare and distribute a dividend, there shall be payable in respect of the principal of and interest on the Undated Subordinated Notes (in lieu of any other payment but subject as provided in sub-paragraph (x) above) such amounts (if any) as would have been payable in respect thereof as if, on the day immediately prior to the commencement (as defined in the Trust Deed) of the winding up of the Issuer or the notice by the administrator, as the case may be, and thereafter, the Undated Subordinated Noteholders and/or the Undated Subordinated Couponholders and/or the Trustee, as the case may be, were holders of a class of preference shares (or preference shares forming part of a class of preference shares) in the capital of the Issuer having a preferential right to a return of assets in the winding up over the holders of all other classes of shares for the time being in the capital of the Issuer on the assumption that such preference shareholders were entitled (to the exclusion of any other rights or privileges) to receive on a return of capital in such winding up an amount equal to the principal amount of the Undated Subordinated Notes together with interest accrued to the date of repayment (as provided in the Trust Deed) and any Arrears of Interest (as defined in Condition 3(f)).
- (z) As used in this paragraph (ii) and paragraph (iii):–

“**Senior Creditors**” means creditors of the Issuer (other than the Trustee, the Undated Subordinated Noteholders and Undated Subordinated Couponholders in respect of the principal of and interest on the Undated Subordinated Notes) (a) who are depositors and/or other unsubordinated creditors of the Issuer or (b) whose claims are, or are expressed to be, subordinated to the claims of depositors and/or other unsubordinated creditors of the Issuer (whether only in the event of a winding up of the Issuer or otherwise) but not further or otherwise (including, without limitation, the Dated Subordinated Noteholders, the Dated Subordinated Receipholders and the Dated Subordinated Couponholders) or (c) who are subordinated creditors of the Issuer (whether as aforesaid or otherwise) other than those whose claims are expressed to, or so as to, rank *pari passu* with or junior to the claims of the Trustee, the Undated Subordinated Noteholders and the Undated Subordinated Couponholders in respect of the principal of and interest on the Undated Subordinated Notes and/or with or to any claims ranking *pari passu* with the claims of the Undated Subordinated Noteholders and the Undated Subordinated Couponholders in respect of the principal of and interest on the Undated Subordinated Notes;

“**Assets**” means the total amount of the non-consolidated gross assets of the Issuer; and

“**Liabilities**” means the total amount of the non-consolidated gross liabilities of the Issuer, in each case as shown by the latest published audited balance sheet of the Issuer, but adjusted for contingencies and subsequent events in such manner as the above-mentioned directors, Auditors, or the liquidator or administrator, as the case may be, may determine.

It should be noted that if the Issuer would not otherwise be solvent, the amount of principal and of sums which would otherwise be payable as interest in respect of the Undated Subordinated Notes will be available to meet the losses of the Issuer.

(iii) *Set-Off*

Subject to applicable law, on a winding up of the Issuer, neither any Undated Subordinated Noteholder nor Undated Subordinated Couponholder nor the Trustee may exercise or claim any right of set-off in respect

of any amount in respect of the principal of and interest on the Undated Subordinated Notes owed to it by the Issuer and each Undated Subordinated Noteholder and Undated Subordinated Couponholder shall, by virtue of his subscription, purchase or holding of any Undated Subordinated Note or Undated Subordinated Coupon, be deemed to have waived all such rights of set-off. To the extent that, on a winding up of the Issuer any set-off takes place, whether by operation of law or otherwise, between: (y) any amount in respect of the principal of and interest on the Undated Subordinated Notes owed by the Issuer to an Undated Subordinated Noteholder or an Undated Subordinated Couponholder; and (z) any amount owed to the Issuer by such Undated Subordinated Noteholder or, as the case may be, Undated Subordinated Couponholder, such Undated Subordinated Noteholder or, as the case may be, Undated Subordinated Couponholder will immediately transfer such amount which is set off to the liquidator (or other relevant insolvency official of the Issuer) to be held on trust for the Senior Creditors.

3. Interest

(a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest on its nominal amount (or if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date specified in the applicable Pricing Supplement at the rate(s) per annum equal to the Rate(s) of Interest payable (subject to Conditions 2(b), 2(c) and 3(f), if applicable) in arrear on the date(s) so specified on which interest is payable in each year (each an “**Interest Payment Date**”) and on the Maturity Date so specified if that does not fall on an Interest Payment Date. Except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date will be the Fixed Coupon Amount. The first payment of interest will be made on the Interest Payment Date next following the Interest Commencement Date and, if the period from the Interest Commencement Date to such Interest Payment Date differs from the period between subsequent Interest Payment Dates, the amount of the first interest payment will be the initial Broken Amount specified in the applicable Pricing Supplement. If the Maturity Date is not an Interest Payment Date, interest from (and including) the preceding Interest Payment Date (or the Interest Commencement Date, as the case may be) to (but excluding) the Maturity Date will be the final Broken Amount specified in the applicable Pricing Supplement.

If interest is required to be calculated for a period ending other than on an Interest Payment Date, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest in accordance with this Condition 3(a):

(i) if “**Actual/Actual (ISMA)**” is specified in the applicable Pricing Supplement:

- (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date or, if different from the Issue Date, the Interest Commencement Date) to (but excluding) the relevant payment date (the “**Accrual Period**”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; or
- (b) in the case of Notes where the Accrual Period is longer than the Determination Period commencing on the last Interest Payment Date on which interest was paid (or, if none, the Issue Date or, if different from the Issue Date, the Interest Commencement Date), the sum of:
 - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; and
 - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; and

- (ii) if “**30/360**” is specified in the applicable Pricing Supplement, the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date or, if different from the Issue Date, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In this Condition:

“**Determination Period**” means the period from (and including) a Determination Date (as specified in the applicable Pricing Supplement) to (but excluding) the next Determination Date;

“**euro**” has the meaning as is given to it in Condition 3(b)(i); and

“**sub-unit**” means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

(b) *Interest on Floating Rate Notes*

(i) *Interest Payment Dates*

Each Floating Rate Note bears interest on its nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate equal to the Rate of Interest and such interest will be payable (subject to Conditions 2(b), 2(c) and 3(f), if applicable) in arrear on either:–

(A) the Specified Interest Payment Date(s) (each an “**Interest Payment Date**”) in each year specified in the applicable Pricing Supplement; or

(B) if no Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each also an “**Interest Payment Date**”) which (save as otherwise mentioned in these Terms and Conditions or specified in the applicable Pricing Supplement) falls the number of months or such other periods specified as the Specified Period(s) in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

If any Interest Payment Date (or other date) which is specified in the applicable Pricing Supplement to be subject to adjustment in accordance with a business day convention would otherwise fall on a day which is not a Business Day, then, if the business day convention specified is:–

- (1) in the case where an Interest Period is specified in accordance with the preceding paragraph (B), the Floating Rate Convention, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (a) such Interest Payment Date (or other date) shall be brought forward to the immediately preceding Business Day and (b) after the foregoing paragraph(a) shall have applied, each subsequent Interest Payment Date (or other date) shall be the last Business Day of the last month of each subsequent Interest Period; or
- (2) the Following Business Day Convention, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date (or other date) shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date (or other date) shall be brought forward to the immediately preceding Business Day.

In this Condition:–

“**Business Day**” means (unless otherwise stated in the applicable Pricing Supplement):–

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and if any Business Centre(s) is specified in the applicable Pricing Supplement in such Business Centre(s); and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (if other than London) which, if the Specified Currency is Australian or New Zealand dollars, shall be Sydney and Auckland,

respectively or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET) System (“**TARGET**”) is open;

“**euro**” means the single currency introduced on 1st January, 1999 pursuant to the treaty establishing the European Community as amended by the Treaty on European Union (but, for the avoidance of doubt, excluding any national currency units which are denominations of the euro); and

“**Interest Period**” means the period from and including an Interest Payment Date (or the Interest Commencement Date) to but excluding the next (or first) Interest Payment Date which may or may not be the same number of months or other period throughout the life of the Notes.

(ii) *Rate of Interest*

The rate of interest (the “**Rate of Interest**”) payable from time to time in respect of this Note if it is a Floating Rate Note will be determined in the manner specified in the applicable Pricing Supplement.

(iii) *ISDA Determination*

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (iii), “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent or other person specified in the applicable Pricing Supplement under an interest rate swap transaction if the Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:–

- (A) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (B) the Designated Maturity is a period equal to that Interest Period; and
- (C) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (“**LIBOR**”) or on the Euro inter-bank offered rate (“**EURIBOR**”) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Pricing Supplement.

For the purposes of this sub-paragraph (iii), (a) “**ISDA Definitions**” means the 2000 ISDA Definitions, as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series, published by the International Swaps and Derivatives Association, Inc. and (b) “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**” and “**Reset Date**” have the meanings given to those terms in the ISDA Definitions.

When this sub-paragraph (iii) applies, in respect of each relevant Interest Period:–

- (A) the Rate of Interest for such Interest Period will be the Floating Rate determined by the Agent or other person specified in the applicable Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) in accordance with this sub-paragraph (iii) plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any); and
- (B) the Agent or other person specified in the applicable Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) will be deemed to have discharged its obligations under Condition 3(b)(vi) in respect of the determination of the Rate of Interest if it has determined the Rate of Interest in respect of such Interest Period in the manner provided in this sub-paragraph (iii).

(iv) *Screen Rate Determination*

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:–

- (A) the offered quotation (if there is only one quotation on the Relevant Screen Page); or
- (B) (subject as below) the arithmetic mean (rounded if necessary to the fourth decimal place, with 0.00005 being rounded upwards) of the offered quotations (if there is more than one quotation on the Relevant Screen Page)

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time) in the case of LIBOR or 11.00 a.m. (Brussels time) in the case of EURIBOR on the Interest Determination Date in question (as indicated in the

applicable Pricing Supplement) plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Agent or other person specified in the applicable Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s). If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent or other person specified in the applicable Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at such time the Agent or other person specified in the applicable Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks (as defined below) or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Agent with its offered quotation (expressed as a percentage rate per annum) for deposits in the Specified Currency for the relevant Interest Period to leading banks in the London inter-bank market as at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, to leading banks in the Euro-zone inter-bank market as at 11.00 a.m. (Brussels time), on the Interest Determination Date in question. If two or more of the Reference Banks provide the Agent or other person specified in the applicable Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded as provided above) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Agent or other person specified in the applicable Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) with such an offered quotation as provided above, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent or other person specified in the applicable Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) determines as being the arithmetic mean (rounded as provided above) of the rates, as communicated to (and at the request of) the Agent or other person specified in the applicable Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) by the Reference Banks or any two or more of them, at which such banks were offered, at approximately 11.00 a.m. (London time) in the case of LIBOR or, 11.00 a.m. (Brussels time) in the case of EURIBOR, on the relevant Interest Determination Date, deposits in the Specified Currency for the relevant Interest Period by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Agent or other person specified in the applicable Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) with such offered rates, the offered rate for deposits in the Specified Currency for the relevant Interest Period, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for the relevant Interest Period, at which, at approximately 11.00 a.m. (London time), in the case of LIBOR or, 11.00 a.m. (Brussels time) in the case of EURIBOR, on the relevant Interest Determination Date, any one or more banks selected by the Agent or other person specified in the applicable Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) for the purpose (which bank or banks shall be so selected after consultation with the Issuer and shall not include any bank or banks which in the opinion of the Issuer is not or are not suitable for such purpose) informs the Agent or other person specified in the applicable Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market, or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

In this paragraph, the expression “**Reference Banks**” means, in the case of (A) above, those banks whose offered rates were used to determine such quotation when such quotation last appeared on the Relevant Screen Page and, in the case of (B) above, those banks whose offered quotations last appeared on the

Relevant Screen Page when no fewer than three such offered quotations appeared and “Euro-zone” means the region comprised of member states of the European Union that have adopted the euro as the single currency in accordance with the Treaty on European Union.

If the Reference Rate from time to time in respect of this Note is specified in the applicable Pricing Supplement as being other than the LIBOR or EURIBOR, the Rate of Interest in respect of this Note will be determined as provided in the applicable Pricing Supplement.

(v) *Minimum and/or Maximum Rate of Interest*

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then the Rate of Interest for such Interest Period determined in accordance with the above provisions shall in no event be less than such Minimum Rate of Interest. If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then the Interest Rate for such Interest Period determined in accordance with the above provisions shall in no event exceed such Maximum Rate of Interest.

(vi) *Determination of Rate of Interest and Calculation of Interest Amount*

The Agent or other person specified in the applicable Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest and calculate the amount of interest (the “**Interest Amount**”) payable on the Floating Rate Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to the Specified Denomination, multiplying such sum by the applicable Day Count Fraction as is specified in the applicable Pricing Supplement or, if none is so specified, determined by the Agent or other person specified in the applicable Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) to be customary for such calculation, and rounding the resultant figure to the nearest unit of the smallest size of the relevant Specified Currency customarily used in the settlement of inter-bank payments in such currency, half such a unit being rounded upwards or otherwise in accordance with applicable market convention.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest for any Interest Period in accordance with this Condition 3(b) unless otherwise specified in the applicable Pricing Supplement:–

1. if “**Actual/365**” or “**Actual/Actual (ISDA)**” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
2. if “**Actual/365 (Fixed)**” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;
3. if “**Actual/365 (Sterling)**” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Period falling in a leap year, 366;
4. if “**Actual/360**” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;
5. if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));
6. if “**30E/360**” or “**Eurobond Basis**” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of an Interest Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month); and

7. if “**RBA Bond Basis**” is specified in the applicable Pricing Supplement, one divided by the number of Interest Payment Dates in each twelve month period (or, where the calculation period does not constitute an Interest Period, one divided by the number of Interest Payment Dates in each twelve month period multiplied by the actual number of days in the calculation period divided by the number of days in the Interest Period ending on the next Interest Payment Date).

(vii) *Notification of Rate of Interest and Interest Amount*

The Agent (or the person specified in the Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s)) will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 12 as soon as possible after their determination but in no event later than the fourth London Business Day (where a “**London Business Day**” means a day (other than Saturday or Sunday) on which banks and foreign exchange markets are open for business in London) thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 12.

(viii) *Determination or Calculation by Trustee*

If for any reason the Agent (or the person specified in the Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s)) defaults in its obligation to determine the Rate of Interest or calculate any Interest Amount in accordance with this paragraph (b), the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions in this Condition and to any terms specified in the applicable Pricing Supplement), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent (or the person specified in the Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and the Interest Amount(s)).

(ix) *Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this paragraph (b) whether by the Agent (or the person specified in the Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s)) or the Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent (or the person specified in the Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s)), the Trustee, the other Paying Agents, the Australian Registrar and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Trustee, the Australian Registrar, the Noteholders, the Receiptholders or the Couponholders shall attach to either the Agent (or the person specified in the Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s)) or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Index Linked Notes and Dual Currency Notes*

In the case of Index Linked Notes or Dual Currency Notes, where the rate or amount of interest falls to be determined by reference to an Index and/or a Formula or, as the case may be, a Rate of Exchange (each as specified in the applicable Pricing Supplement), the rate or amount of interest payable shall be determined in the manner specified in the applicable Pricing Supplement and payment shall otherwise be made in accordance with Condition 4.

(d) *Partly Paid Notes*

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

(e) *Accrual of Interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the due date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused, or in the case of Australian Domestic Notes, payment is not made in accordance with the Registry Services Agreement. In such event, interest will continue to accrue until whichever is the earlier of:–

- (1) the date on which all amounts due in respect of such Note have been paid; and
- (2) five days after the date on which the full amount of the moneys payable has been received by the Agent, or, in the case of Australian Domestic Notes, the Australian Registrar and notice to that effect has been given to Noteholders in accordance with Condition 12 or individually.

(f) *Interest on Undated Subordinated Notes*

Without prejudice to any other terms of these Conditions, interest in respect of Undated Subordinated Notes is (subject to Condition 2(c)(ii)(x)) payable on each Compulsory Interest Payment Date (as defined below) in respect of the Interest Period (as defined below) ending on the day immediately preceding such date. On any Optional Interest Payment Date (as defined below) there may be paid (if the Issuer so elects but subject to Condition 2(c)(ii)(x)) the interest in respect of any Series of Undated Subordinated Notes accrued in the Interest Period ending on the day immediately preceding such date, but the Issuer shall not have any obligation to make such payment and any failure to pay shall not constitute a default by the Issuer for any purpose. Any interest in respect of any Series of Undated Subordinated Notes not paid on any Interest Payment Date, together with any other interest in respect thereof not paid on any other Interest Payment Date, shall, so long as the same remains unpaid, constitute “**Arrears of Interest**”. Arrears of Interest may, at the option of the Issuer but subject to Condition 2(c)(ii)(x), be paid in whole or in part at any time upon the expiration of not less than 14 days’ notice to such effect given to the Trustee, and to the Undated Subordinated Noteholders of the relevant Series in accordance with Condition 12, but all Arrears of Interest in respect of all Undated Subordinated Notes for the time being outstanding (as defined in the Trust Deed) shall (subject to Condition 2(c)(ii)(x)) become due in full on whichever is the earliest of (i) the date on which a dividend is next paid on any class of share capital of (1) RBSG (if at the relevant time RBSG is the Holding Company (as defined below)), or (2) the Holding Company (if at the relevant time the Holding Company is a company other than RBSG), or (3) the Issuer to any person who is not a member of the Group (as defined below), or (4) RBSG (if at the relevant time the Holding Company is a company other than RBSG) to any person who is not a member of the Group, (ii) the date fixed for any repayment pursuant to Condition 5(b) or (c), or (iii) the commencement of a winding up of the Issuer. If notice is given by the Issuer of its intention to pay the whole or any part of any Arrears of Interest in respect of the Undated Subordinated Notes of any Series, the Issuer shall be obliged (subject to Condition 2(c)(ii)(x)) to do so upon the expiration of such notice. Where Arrears of Interest are paid in part, each part payment shall be in respect of the full amount of the Arrears of Interest accrued due to the relevant Interest Payment Date or consecutive Interest Payment Dates furthest from the date of payment. Arrears of Interest shall not themselves bear interest.

As used in this paragraph (f):–

“**Interest Payment Date**” means each Interest Payment Date on which interest is to be paid on the relevant Undated Subordinated Notes;

“**Compulsory Interest Payment Date**” means any Interest Payment Date if, in the twelve months immediately preceding such Interest Payment Date, any dividend has been declared or paid on any class of share capital of (1) RBSG (as defined below) (if at the relevant time RBSG is the Holding Company (as defined below)), or (2) the Holding Company (if at the relevant time the Holding Company is a company other than RBSG), or (3) the Issuer to any person who is not a member of the Group (as defined below), or (4) RBSG (if at the relevant time the Holding Company is a company other than RBSG) to any person who is not a member of the Group;

“**Group**” means the Holding Company and its subsidiaries (as such term is defined in the Companies Act 1985, as amended or re-enacted from time to time);

“**Holding Company**” means RBSG or otherwise the ultimate holding company for the time being of the Issuer and RBSG or, if at any relevant time there shall be no such Holding Company, then “**Holding Company**” shall mean the Issuer itself;

“Interest Period” means the period from and including one Interest Payment Date (or, in the case of the first Interest Period, the Interest Commencement Date of the relevant Undated Subordinated Notes) up to but excluding the next (or first) Interest Payment Date; and

“Optional Interest Payment Date” means any Interest Payment Date other than a Compulsory Interest Payment Date.

If the latest dividend declared or paid on any class of share capital of (1) RBSG (if at the relevant time RBSG is the Holding Company), or (2) the Holding Company (if at the relevant time the Holding Company is a company other than RBSG), or (3) the Issuer to any person who is not a member of the Group, or (4) RBSG (if at the relevant time the Holding Company is a company other than RBSG) to any person who is not a member of the Group, is so declared or paid more than twelve months prior to an Interest Payment Date, such Interest Payment Date will not be a Compulsory Interest Payment Date.

4. Payments

(a) Method of Payment

Subject as provided below:–

- (i) payments in respect of definitive Notes in a Specified Currency (other than euro (as defined in Condition 3(b)(i))) will be made at the option of the bearer either by transfer to an account in the relevant Specified Currency (which, in the case of a payment in Yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian or New Zealand dollars, shall be Sydney and Auckland, respectively); and
- (ii) payments in respect of definitive Notes in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 6.

(b) Presentation of Notes, Receipts and Coupons

Payments of principal in respect of definitive Notes (if issued) will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender of such definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender of Coupons, in each case at the specified office of any Paying Agent outside the United States. Payments under paragraph (a) above made, at the option of the bearer of such Note or Coupon, by cheque shall be mailed or delivered to an address outside the United States furnished by such bearer. Subject to any applicable laws and regulations, such payments made by transfer will be made in immediately available funds to an account maintained by the payee with a bank located outside the United States. No payment in respect of any definitive Note or Coupon will be made upon presentation and surrender of such definitive Note or Coupon at any office or agency of the Issuer or any Paying Agent in the United States, nor will any such payment be made by transfer to an account, or by mail to an address, in the United States.

Payments of instalments of principal (if any), other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above against presentation and surrender of the relevant Receipt. Payment of the final instalment will be made in the manner provided in paragraph (a) above against presentation and surrender of the relevant definitive Note. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains, against which the amount payable in respect of the relevant instalment will be paid. If any definitive Notes are redeemed or become payable prior to the Maturity Date (or the Interest Payment Date in the Redemption Month, as the case may be) in respect thereof, principal will be payable on surrender of such Notes together with all unmatured Receipts appertaining thereto. Unmatured Receipts and Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive form (other than Dual Currency Notes or Index Notes) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this

purpose include Coupons falling to be issued on exchange of matured Talons), failing which the full amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the full amount of such missing unmatured Coupon as the sum so paid bears to the total sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon at any time thereafter but before the expiry of ten years after the Relevant Date (as defined in Condition 6) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 7) or, if later, five years from the date on which such Coupon would otherwise have become due. Upon any Fixed Rate Note becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note or Index Linked Note in definitive form becomes due and repayable, all unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

Payments of principal and interest (if any) in respect of Notes represented by any global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant global Note against presentation or surrender, as the case may be, of such global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of such global Note, distinguishing between any payment of principal and any payment of interest, will be made on such global Note by the Paying Agent to which such global Note is presented for the purpose of making such payment, and such record shall be *prima facie* evidence that the payment in question has been made.

The holder of a global Note shall be the only person entitled to receive payments in respect of Notes represented by such global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such global Note. No person other than the holder of such global Note shall have any claim against the Issuer in respect of any payments due on that global Note.

Notwithstanding the foregoing, U.S. dollar payments of principal and interest in respect of the Notes will be made at the specified office of any Paying Agent in the United States (which expression, as used in this Condition, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)) if:—

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest due on the Notes in the manner provided above when due;
- (ii) payment in U.S. dollars of the full amount of such due principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences for the Issuer.

(c) Payments in respect of Australian Domestic Notes

The Australian Registrar will act as principal paying agent for Australian Domestic Notes pursuant to the Registry Services Agreement.

Payments of principal and interest will be made in Australian dollars to the persons registered at the close of business on the relevant Record Date (as defined below) as the holders of such Notes, subject in all cases to normal banking practice and all applicable laws and regulations. Payment will be made by cheques drawn on an Australian bank dispatched by post on the relevant payment date at the risk of the Noteholder or, at

the option of the Noteholder, by the Australian Registrar giving in Sydney irrevocable instructions for the effecting of a transfer of the relevant funds to an Australian dollar account in Australia specified by the Noteholder to the Australian Registrar, or in any other manner in Sydney which the Australian Registrar and the Noteholder agree.

In the case of payments made by electronic transfer, payments will for all purposes be taken to be made when the Australian Registrar gives irrevocable instructions in Sydney for the making of the relevant payment by electronic transfer, being instructions which would be reasonably expected to result, in the ordinary course of banking business, in the funds transferred reaching the account of the Noteholder and, in the case of accounts maintained in Australia, reaching the account on the same day as the day on which the instructions are given.

If a cheque posted or an electronic transfer for which irrevocable instructions have been given by the Australian Registrar is shown, to the satisfaction of the Australian Registrar, not to have reached the Noteholder and the Australian Registrar is able to recover the relevant funds, the Australian Registrar may make such other arrangements as it thinks fit for the effecting of the payment.

Interest will be calculated in the manner specified in Condition 3 above and will be payable to the persons who are registered as Noteholders on the relevant Record Date and cheques will be made payable to the Noteholder (or, in the case of joint Noteholders, to the first-named) and sent to his registered address, unless instructions to the contrary are given by the Noteholder (or, in the case of joint Noteholders, by all the Noteholders) in such form as may be prescribed by the Australian Registrar. Payments of principal will be made to, or to the order of, the persons who are registered as Noteholders on the relevant Record Date, subject, if so directed by the Australian Registrar, to receipt from them of such instructions as the Australian Registrar may require.

In this Condition 4(c), “**Record Date**” means, in the case of payments or principal or interest, the close of business in Sydney on the date which is the eighth calendar day before the due date of the relevant payment of principal or interest.

(d) *Payment Date*

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Date, the holder thereof shall not be entitled to payment of the amount due until the next following Payment Date in the relevant place and shall not be entitled to any interest or other payment in respect of such delay. For these purposes, unless otherwise specified in the applicable Pricing Supplement, “**Payment Date**” means any day which is both:–

- (i) a day on which commercial banks and foreign exchange markets settle payments in the relevant place of presentation (and in the case of payment in euro in the place where the euro account specified by the payee is located) or, in respect of Australian Domestic Notes, a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Sydney and Melbourne; and
- (ii) a Business Day (as defined in Condition 3(b)(i)).

(e) *Interpretation of Principal*

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:–

- (i) the Final Redemption Amount of the Notes;
- (ii) the Early Redemption Amount of the Notes;
- (iii) the Optional Redemption Amount(s) (if any) of the Notes;
- (iv) in relation to Instalment Notes, the Instalment Amounts;
- (v) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined below); and
- (vi) any premium and any other amounts which may be payable by the Issuer under or in respect of the Notes.

In this Condition, “**euro**” has the meaning as is given to it in Condition 3(b)(i).

5. Redemption and Purchase

(a) *At Maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date (in the case of a Note other than a Floating Rate Note) or on the Interest Payment Date falling in the month and year in which such Notes (unless previously redeemed or purchased or cancelled) will be redeemed (in the case of a Floating Rate Note).

(b) *Redemption for Tax Reasons*

The Notes of any Series may (subject, in the case of the Dated Subordinated Notes and the Undated Subordinated Notes, to the prior consent of the Financial Services Authority and, in the case of the Undated Subordinated Notes to a requirement that no such redemption may take place before the fifth anniversary of the issue of such Notes) be redeemed at the option of the Issuer in whole, but not in part, at any time (in the case of a Note other than a Floating Rate Note) or only on an Interest Payment Date (in the case of a Floating Rate Note) on giving not less than 30 nor more than 60 days' notice to the Agent and, in accordance with Condition 12, the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as determined in accordance with paragraph (e) below), if the Issuer satisfies the Trustee immediately prior to the giving of such notice that:–

- (i) it has or will or would, but for redemption, become obliged to pay additional amounts as provided or referred to in Condition 6 in respect of any of the Notes of such Series; or
- (ii) the payment of interest in respect of any of the Notes of such Series would be “**distributions**” for United Kingdom tax purposes;

in each such case, as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of Notes of that Series and cannot be avoided by the Issuer taking reasonable steps available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts (or would be treated as making distributions as referred to in paragraph (ii) above) were a payment in respect of the Notes of that Series then due. Upon the expiration of such notice the Issuer shall (subject, in the case of the Undated Subordinated Notes, to Condition 2(c)(ii)(x)) be bound to redeem such Notes at their Early Redemption Amount together with, in the case of Undated Subordinated Notes, all Arrears of Interest as aforesaid.

(c) *Call Option – Redemption at the Option of the Issuer*

If the Issuer is specified in the applicable Pricing Supplement as having an option to redeem the Notes of any Series, the Issuer may (subject, in the case of the Dated Subordinated Notes and the Undated Subordinated Notes, to the prior consent of the Financial Services Authority and, in the case of the Undated Subordinated Notes, Condition 2(c)(ii)(x) and unless otherwise specified in the applicable Pricing Supplement), having given not less than 45 nor more than 60 days' notice to the Agent and the Noteholders of that Series in accordance with Condition 12 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes of such Series then outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date(s) and including, in the case of Undated Subordinated Notes, all Arrears of Interest. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or not greater than the Maximum Redemption Amount, both as indicated in the applicable Pricing Supplement. In the case of a partial redemption of Notes of any Series, the Notes to be redeemed (“**Redeemed Notes**”) will be selected individually by lot at such place and in such manner as the Agent may approve and deem fair and reasonable, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, in the case of Redeemed Notes represented by a global Note, not more than 60 days prior to the date fixed for redemption (such date of selection being hereinafter called the “**Selection Date**”). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 12 not less than 15 nor more than 30 days prior to the date fixed for redemption. No exchange of the relevant global Note will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this subparagraph

(c) and notice to that effect shall be given by the Issuer to the Noteholders of the relevant Series in accordance with Condition 12 at least 10 days prior to the Selection Date.

*(d) Put Option – Redemption at the Option of the Noteholders**

If the Noteholders of any Series are specified in the applicable Pricing Supplement as having an option to redeem, upon the holder of any Note of such Series giving to the Issuer in accordance with Condition 12 not less than 45 nor more than 60 days' notice or such other period of notice as is specified in the applicable Pricing Supplement (which notice shall be irrevocable), the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Pricing Supplement, in whole (but not in part), such Note on the Optional Redemption Date (which Optional Redemption Date shall, in the case of a Floating Rate Note, be an Interest Payment Date) and at the Optional Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

If the Note is in definitive form, to exercise the right to require redemption of the Note the holder of the Note must deliver such Note at the specified office of any Paying Agent on any Business Day at any time during normal business hours of such Paying Agent falling within the notice period, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **"Put Notice"**) in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition.

(e) Early Redemption Amounts

For the purpose of paragraph (b) above and Condition 8, the Notes of any Series will be redeemed at the Early Redemption Amount calculated as follows:–

- (i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or
- (ii) in the case of Notes (other than Zero Coupon Notes but including Instalment Notes and Partly Paid Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the Pricing Supplement, at their nominal amount; or
- (iii) in the case of Zero Coupon Notes, at an amount (the **"Amortised Face Amount"**) equal to the sum of:–
 - (A) the Reference Price specified in the applicable Pricing Supplement; and
 - (B) the product of the Amortisation/Accrual Yield specified in the applicable Pricing Supplement (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and payable; or
- (iv) in the case of Index Linked Notes, at the amount (the **"Calculated Redemption Amount"**) determined by reference to the Index and/or the Formula and in the manner specified in the applicable Pricing Supplement; or
- (v) in the case of Dual Currency Notes where the amount payable upon redemption falls to be determined by reference to the Rate of Exchange, at the amount calculated by reference to such Rate of Exchange; and
- (vi) if and to the extent not taken into account in paragraphs (i) to (v) above, adding (if appropriate) interest accrued to the date fixed for redemption.

(f) Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Pricing Supplement in accordance with Condition 4(b).

(g) Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition, but subject as provided in the applicable Pricing Supplement.

*Not applicable to Dated Subordinated Notes or Undated Subordinated Notes

(h) *Purchases*

The Issuer may (subject, in the case of the Dated Subordinated Notes and the Undated Subordinated Notes, to the prior consent of the Financial Services Authority) at any time purchase beneficially or procure others to purchase beneficially for its account Notes of any Series (provided that, in the case of definitive Notes, all unmatured Receipts and Coupons appertaining thereto are purchased therewith) in the open market, by tender (available to all Noteholders of a Series alike) or by private treaty. Notes purchased or otherwise acquired by the Issuer may be held or resold or, at the discretion of the Issuer, surrendered to the Agent for cancellation (together with (in the case of definitive Notes) any unmatured Coupons or Receipts attached thereto or purchased therewith).

(i) *Cancellation*

All Notes which are redeemed or purchased or otherwise acquired as aforesaid and surrendered to the Agent for cancellation will forthwith be cancelled (together, in the case of definitive Notes, with all matured Receipts and Coupons attached thereto or surrendered therewith at the time of redemption) and thereafter may not be re-issued or resold.

(j) *Late Payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c), (d) or (e) above or upon its becoming due and repayable as provided in Condition 8 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:–

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Note has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 12.

(k) *Undated Subordinated Notes*

There is no fixed redemption date for Undated Subordinated Notes and the Issuer shall (subject to the provisions of Condition 5(b) and Condition 8) only have the right to repay them in accordance with such provisions as may be specified in the applicable Pricing Supplement and subject to the requirement that any such redemption shall be subject to the prior consent of the Financial Services Authority.

In relation to Australian Domestic Notes, reference in this Condition 5, to the Paying Agent or Agent shall be deemed to be to the Australian Registrar and references to the Agency Agreement shall be deemed to be to the Registry Services Agreement.

6. Taxation

All payments of principal and/or interest in respect of Notes, Receipts and/or Coupons by the Issuer shall (save as may be provided in the applicable Pricing Supplement) be made without withholding or deduction for, or on account of, any present or future tax, duty or charge of whatsoever nature imposed or levied by or on behalf of the United Kingdom or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay (subject, in the case of the Undated Subordinated Notes, to Condition 2(c)(ii)(x)) such additional amounts as will result (after such withholding or deduction) in the payment to the holders of the Notes, Receipts or Coupons of the sums which would have been receivable (in the absence of such withholding or deduction) from it in respect of their Notes, Receipts and/or Coupons; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon presented for payment:–

- (a) by or on behalf of any holder who is liable to such tax, duty or charge in respect of such Note, Receipt or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of such Note, Receipt or Coupon; and/or
- (b) in the United Kingdom; and/or
- (c) in circumstances where such withholding or deduction would not be required if the holder or any person acting on his behalf had obtained and/or presented any form or certificate or had made a declaration of non-residence or similar claim for exemption upon the presentation or making of which the holder would have been able to avoid such withholding or deduction; and/or

- (d) more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment at the expiry of such period of 30 days; and/or
- (e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27th November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; and/or
- (f) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Agent in a Member State of the European Union; and/or
- (g) in such other circumstances as may be specified in the relevant Pricing Supplement.

The “**Relevant Date**” in respect of any payment means the date on which such payment first becomes due or (if the full amount of the moneys payable has not been duly received (in the case of Notes other than Australian Domestic Notes) in London by the Agent or the Trustee or (in the case of Australian Domestic Notes) by the Australian Registrar, in either case on or prior to such due date) the date on which, the full amount of such moneys having been so received, notice to that effect is given to the Noteholders in accordance with Condition 12.

Any reference in these Conditions to the principal and/or interest in respect of the Notes shall be deemed to include a reference to any additional amounts which may be payable under this Condition 6 or under any obligations undertaken in addition thereto or in substitution therefor pursuant to the Trust Deed or the Deed Poll.

7. Prescription

The Bearer Notes, Receipts and Coupons will become void unless presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 6) therefor. There shall be no prescription period for Talons but there shall not be included in any Coupon sheet issued in exchange for a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 4(b) or any Talon which would be void pursuant to Condition 4(b). The rights of holders of Registered Notes to make claims against the Issuer for payments of principal will become void ten years after the Relevant Date. The rights of holders of Registered Notes to make claims against the Issuer for payments of interest will become void five years after the Relevant Date.

8. Events of Default

(a) Ordinary Notes

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in nominal amount of the Ordinary Notes of any Series then outstanding or if so directed by an Extraordinary Resolution of the holders of the Ordinary Notes of any Series then outstanding, shall (subject, in the case of the happening of any of the events mentioned in sub-paragraph (ii) below, to the Trustee having certified in writing to the Issuer that the happening of such event is, in its opinion, materially prejudicial to the interests of holders of the Ordinary Notes of that Series), subject to its being indemnified to its satisfaction, give notice to the Issuer that the Ordinary Notes of that Series are, and they shall accordingly immediately become, due and payable if any of the following events occurs and is continuing:–

- (i) if default is made for a period of seven days or more in the payment of any principal or 14 days or more in the payment of any interest due in respect of the Ordinary Notes of that Series or any of them; or
- (ii) if the Issuer fails to perform or observe any of its other obligations under the Ordinary Notes of that Series and the Receipts and Coupons (if any) relating thereto or the Trust Deed and (except in the case of a failure to observe a payment obligation under the terms thereof) such failure continues for a period of 30 days after written notice thereof has been given by the Trustee to the Issuer requiring the same to be remedied; or
- (iii) if an order is made or an effective resolution is passed for the winding up, dissolution or liquidation of the Issuer (except in any such case for the purposes of a merger, reconstruction or amalgamation

the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the holders of the Ordinary Notes of the relevant Series).

Unless otherwise specified in the applicable Pricing Supplement, Ordinary Notes which become due and repayable pursuant to this paragraph (a) shall be repaid by the Issuer at the relevant Early Redemption Amount specified in Condition 5(e).

At any time after the Ordinary Notes of any Series or any of them shall have become immediately due and repayable and have not been repaid the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce repayment thereof together with accrued interest and to enforce the provisions of the Trust Deed, but it shall not be bound to institute any such proceedings unless (x) it shall have been so directed by an Extraordinary Resolution of the holders of Ordinary Notes of such Series or so requested in writing by the holders of at least one-fifth in nominal amount of the Ordinary Notes of such Series then outstanding and (y) it shall have been indemnified to its satisfaction. No holder of Ordinary Notes of any Series or the Receipts or Coupons relating thereto shall be entitled to proceed against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

(b) *Dated Subordinated Notes*

- (i) If default shall be made in the payment of any principal or interest due on the Dated Subordinated Notes of any Series for a period of seven days or more in the case of principal or 14 days or more in the case of interest the Trustee may, subject as provided below, at its discretion and without further notice, institute proceedings for the winding up of the Issuer, but may take no other action in respect of such default.
- (ii) If, otherwise than for the purposes of reconstruction or amalgamation on terms previously approved in writing by the Trustee, an order is made or an effective resolution is passed for the winding up of the Issuer, the Trustee may, and if so requested in writing by the holders of at least one-fifth in nominal amount of the Dated Subordinated Notes of any Series then outstanding or if so directed by an Extraordinary Resolution of the Dated Subordinated Noteholders of any Series then outstanding shall (if it shall have been indemnified to its satisfaction), give notice to the Issuer that the Dated Subordinated Notes of such Series are, and they shall accordingly immediately become, due and repayable at their Early Redemption Amount (subject to Condition 2(b)(ii)).
- (iii) Without prejudice to paragraph (i) or (ii) above, if the Issuer breaches any of its obligations under the Trust Deed or the Dated Subordinated Notes, the Dated Subordinated Receipts or Dated Subordinated Coupons of any Series (other than any obligation for the payment of principal or interest on such Dated Subordinated Notes, the Dated Subordinated Receipts or Dated Subordinated Coupons) then the Trustee may, subject as provided below, at its discretion and without further notice, bring such proceedings as it may think fit to enforce the obligation in question provided that the Issuer shall not, as a result of the bringing of any such proceedings, be obliged to pay any sum representing or measured by reference to principal or interest on such Series of Dated Subordinated Notes, Dated Subordinated Receipts or Dated Subordinated Coupons sooner than the same would otherwise have been payable by it.
- (iv) The Trustee shall not be bound to take any of the actions referred to in paragraph (i) or (iii) above to enforce the obligations of the Issuer in respect of the Dated Subordinated Notes, the Dated Subordinated Receipts and the Dated Subordinated Coupons of any Series or any other proceedings pursuant to or in connection with the Trust Deed or the Dated Subordinated Notes, the Dated Subordinated Receipts or the Dated Subordinated Coupons of any Series unless (x) it shall have been so directed by an Extraordinary Resolution of the Dated Subordinated Noteholders of such Series or so requested in writing by the holders of at least one-fifth in nominal amount of the Dated Subordinated Notes of such Series then outstanding and (y) it shall have been indemnified to its satisfaction.
- (v) No Dated Subordinated Noteholder, Dated Subordinated Receiptholder or Dated Subordinated Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become so bound to proceed, fails to do so within a reasonable period and such failure shall be continuing and then only in the name of the Trustee and on giving an indemnity satisfactory to the Trustee, and only to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so. No Dated Subordinated Noteholder, Dated Subordinated Receiptholder or Dated Subordinated Couponholder shall be entitled to institute proceedings

for the winding up of the Issuer, or to prove in such winding up, except that if the Trustee, having become bound to proceed directly against the Issuer, fails to do so, or, being able to prove, fails to do so in such winding up (in each case within a reasonable period) and such failure shall be continuing, then any Dated Subordinated Noteholder, Dated Subordinated Receipholder or Dated Subordinated Couponholder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise) himself institute proceedings for the winding up of the Issuer and/or prove in such winding up to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so.

(c) *Undated Subordinated Notes*

- (i) If default shall be made in the payment of any interest due on the Undated Subordinated Notes of any Series for a period of 14 days or more after a Compulsory Interest Payment Date (as defined in Condition 3(f)) or any other date on which the payment of interest is compulsory, the Trustee may, subject as provided below, at its discretion and without further notice, institute proceedings for the winding up of the Issuer, but may take no other action in respect of such default. For the purposes of this paragraph (i), a payment shall be deemed to be due or compulsory even if the condition set out in Condition 2(c)(ii)(x) is not satisfied with respect to the Issuer.
- (ii) Without prejudice to paragraph (i) above, if the Issuer breaches any of its obligations under the Trust Deed or the Undated Subordinated Notes or the Undated Subordinated Coupons of any Series (other than any obligation in respect of the payment of principal or interest on such Undated Subordinated Notes or Undated Subordinated Coupons) then the Trustee may, subject as provided below, at its discretion and without further notice, bring such proceedings as it may think fit to enforce the obligation in question provided that the Issuer shall not, as a result of the bringing of any such proceedings, be obliged to pay any sum representing or measured by reference to principal or interest on such Series of Undated Subordinated Notes or Undated Subordinated Coupons sooner than the same would otherwise have been payable by it.
- (iii) The Trustee shall not be bound to take any of the actions referred to in paragraph (i) or (ii) above to enforce the obligations of the Issuer in respect of the Undated Subordinated Notes and Undated Subordinated Coupons of any Series or any other proceedings pursuant to or in connection with the Trust Deed or the Undated Subordinated Notes or the Undated Subordinated Coupons of any Series unless (i) it shall have been so directed by an Extraordinary Resolution of the Undated Subordinated Noteholders of such Series or so requested in writing by the holders of at least one-fifth in nominal amount of the Undated Subordinated Notes of such Series then outstanding and (ii) it shall have been indemnified to its satisfaction.
- (iv) No Undated Subordinated Noteholder or Undated Subordinated Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become so bound to proceed, fails to do so within a reasonable period and such failure shall be continuing and then only in the name of the Trustee and on giving an indemnity satisfactory to the Trustee, and only to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so. No Undated Subordinated Noteholder or Undated Subordinated Couponholder shall be entitled to institute proceedings for the winding up of the Issuer or to prove in such winding up, except that if the Trustee, having become bound to proceed against the Issuer as aforesaid, fails to do so, or, being able to prove, fails to do so in such a winding up (in each case, within a reasonable period) and such failure shall be continuing, then any Undated Subordinated Noteholder or Undated Subordinated Couponholder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise) himself institute proceedings for the winding up of the Issuer and/or prove in such winding up to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so.

9. Replacement of Notes, Receipts, Coupons and Talons

Should any Bearer Note (including any global Note), Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Bearer Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

10. Agent, Paying Agents and Registrar

(a) Bearer Notes

The names of the initial Agent and the other initial Paying Agents and their initial specified offices are set out below.

The Issuer is entitled, subject to the approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:–

- (i) so long as any Bearer Notes are listed on any stock exchange or admitted to listing by any other relevant listing authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or relevant listing authority;
- (ii) there will at all times be a Paying Agent with a specified office in a city in continental Europe; and
- (iii) there will at all times be an Agent.

In addition, in relation to Bearer Notes, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the final paragraph of Condition 4(b). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 12.

In acting under the Agency Agreement, the Agent and the other Paying Agents will act solely as agents of the Issuer and, in certain circumstances specified therein, of the Trustee, and do not assume any obligations or relationships of agency or trust to or with the Noteholders, Receiptholders and Couponholders, except that (without affecting the obligations of the Issuer to the Noteholders, Receiptholders and Couponholders to repay Notes and pay interest thereon) funds received by the Agent and any other Paying Agent for the payment of any sums due in respect of the Bearer Notes shall be held by them in trust for the Noteholders and/or Receiptholders and/or Couponholders until the expiration of the relevant period of prescription under Condition 7. The Agency Agreement contains provisions for the indemnification of the Paying Agents and for relief from responsibility in certain circumstances, and entitles any of them to enter into business transactions with the Issuer without being liable to account to the Noteholders, Receiptholders or Couponholders for any resulting profit.

(b) Registered Notes

The name of the initial Australian Registrar and its initial specified office is set out below.

In acting under the Registry Services Agreement, the Australian Registrar does not assume any responsibility for any obligation or relationship of agency or trust for or with any of the Noteholders, except that, all sums received from or on behalf of Royal Bank for the payment of principal or interest on any Australian Domestic Notes (excluding any withholdings or deductions made, or to be made, by the Australian Registrar in accordance with the Registry Services Agreement) shall be held on trust for the benefit of the persons entitled thereto until such sums shall be paid to such persons or otherwise disposed of as set forth in the Registry Services Agreement.

The Registry Services Agreement contains provisions for indemnification of the Australian Registrar and relief from responsibility in certain circumstances, and entitles the Australian Registrar to engage in any kind of business with the Issuer.

11. Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may (subject to Condition 7) be surrendered at the specified office of the Agent or any other Paying Agent outside the United States in exchange for a further Coupon sheet, including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

12. Notices

All notices regarding the Notes (other than Australian Domestic Notes) of any Series shall be validly given if published (i) in a leading London daily newspaper (which is expected to be the *Financial Times*) and (ii)

in respect of Notes listed on the Luxembourg Stock Exchange and for so long as the rules of the Luxembourg Stock Exchange require, in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Any such notice will be deemed to have been given on the date of such publication in such leading London newspaper or, in the circumstances in which (ii) applies, on the date of such publication in both such newspapers or, if published more than once, on the date of the first publication. Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the holders of the Notes of any Series in accordance with this Condition. Notices regarding Australian Domestic Notes shall be published in a leading daily newspaper of general circulation in Australia. It is expected that such notices will normally be published in the *Australian Financial Review*. Any such notice will be deemed to have been given on the date of such publication. If the giving of notice as provided above is not practicable, notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

So long as no definitive Notes are in issue in respect of a particular Series, there may, so long as the global Note(s) for such Series is or are held in its or their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, and the Notes for such Series are not listed on the Official List and admitted to trading on the London Stock Exchange (or if so listed, for as long as the London Stock Exchange so permits), be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes, except that so long as the Notes for such Series are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the relevant notice shall also be published in a leading newspaper having general circulation in Luxembourg. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent (in the case of Bearer Notes) or the Issuer (in the case of the Australian Domestic Notes). Whilst any Notes are represented by a global Note, such notice may be given by a Noteholder to the Agent via Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg may approve for this purpose.

13. Enforcement

Save as otherwise provided herein and without prejudice to Conditions 8(a), 8(b)(v) and 8(c)(iv), only the Trustee may pursue the remedies available under the general law or under the Trust Deed to enforce the rights of holders of Bearer Notes, Receiptholders and Couponholders and no holder of a Bearer Note, Receiptholder or Couponholder shall be entitled to take proceedings directly against the Issuer unless the Trustee, having become bound to proceed in accordance with the terms of the Trust Deed, fails to do so within a reasonable time and such failure is continuing.

Holders of Registered Notes are entitled to enforce the Deed Poll independently from the Trustee, the Australian Registrar and each other holder of Registered Notes.

14. Meetings of Noteholders, Modification, Waiver and Substitution of Principal Debtor

The Trust Deed contains provisions for convening meetings of Noteholders (or the holders of the Notes of any one or more Series) to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Terms and Conditions of the Notes of any one or more Series or the provisions of the Trust Deed or the Deed Poll or the Registry Services Agreement. Such a meeting may be convened by the Trustee, the Issuer or the Trustee upon the request of Noteholders holding not less than ten per cent. in nominal amount of the Notes (or, as the case may be, the Notes of the relevant one or more Series) for the time being remaining outstanding. The quorum at any such meeting convened to consider a resolution proposed as an Extraordinary Resolution is two or more persons holding or representing a clear majority in nominal amount of the Notes (or, as the case may be, the Notes of the relevant one or more Series) for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders (or, as the case may be, holders of the Notes of the relevant one or more Series) whatever the nominal amount of the Notes (or, as the case may be, the Notes of the relevant one or more Series) for the time being outstanding so held or represented, except that at any meeting the business of which includes the modification of certain of the Terms and Conditions of the Notes (or, as the case may be, the Notes of the relevant one or more Series) (including postponing the date of maturity of such Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of such Notes, varying the method of calculating the rate of interest or reducing the minimum or maximum rate of interest on the Notes, altering the currency of payment of

such Notes and the Receipts and Coupons relating thereto or modifying the majority required to pass an Extraordinary Resolution) or certain of the provisions of the Trust Deed or the Deed Poll or the Registry Services Agreement, the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, in nominal amount of the Notes (or, as the case may be, the Notes of the relevant one or more Series) for the time being outstanding. An Extraordinary Resolution duly passed at any meeting of the Noteholders (or, as the case may be, holders of the Notes of the relevant one or more Series) shall be binding on all the Noteholders (or, as the case may be, holders of the Notes of the relevant one or more Series), whether or not they are present at the meeting, and on all holders of Receipts and Coupons relating to the relevant Notes.

The Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders (or, as the case may be, the holders of the Notes, Receipts or Coupons of the relevant one or more Series), to:–

- (a) any modification (subject to certain exceptions as provided in the Trust Deed) of the Terms and Conditions of the Notes (or, as the case may be, the Notes of any one or more Series) or of the provisions of the Trust Deed, the Registry Services Agreement or the Deed Poll which in its opinion is not materially prejudicial to the interests of the Noteholders, Receiptholders or Couponholders (or, as the case may be, the holders of the Notes, Receipts or Coupons of the relevant one or more Series); or
- (b) any modification of the Notes (or, as the case may be, the Notes of the relevant one or more Series), the Receipts and Coupons relating thereto or the Trust Deed, the Registry Services Agreement or the Deed Poll which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders (or, as the case may be, the holders of the Notes, Receipts or Coupons of the relevant one or more Series) and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders (or, as the case may be, the holders of the Notes of the relevant one or more Series) in accordance with Condition 12 as soon as practicable thereafter. No modification of these conditions insofar as it relates to the Terms and Conditions of any Series of either Dated Subordinated Notes or Undated Subordinated Notes shall be effected without the prior consent of the Financial Services Authority.

The Trustee may also waive or authorise any breach or proposed breach of the Terms and Conditions of the Notes of any Series or the provisions of the Trust Deed, the Registry Services Agreement or the Deed Poll in relation to such Notes which, in its opinion, is not materially prejudicial to the interests of the Noteholders of the relevant Series.

The Trustee may also agree, subject to the conditions set out in the immediately following sentence and to such amendment of the Trust Deed (and the Deed Poll where applicable) and such other conditions as the Trustee may require, but without the consent of the Noteholders, the Receiptholders or the Couponholders of the relevant Series of Notes, to the substitution of the Holding Company or of a subsidiary of the Issuer in place of the Issuer as principal debtor under the Notes, the Receipts and the Coupons of any Series and under the Trust Deed (and the Deed Poll where applicable) in relation to such Notes, Receipts and Coupons. Such agreement shall only be granted if, *inter alia*, (i) the obligations of such substituted principal debtor thereunder are guaranteed by the Issuer on a basis acceptable to the Trustee and (ii) the Trustee is satisfied that such substitution is not materially prejudicial to the interests of the Noteholders, the Receiptholders and the Couponholders of such Series. The Trustee may further agree, subject to such amendment of the Trust Deed (and the Deed Poll where applicable) and such other conditions as the Trustee may require, but without the consent of the Noteholders, the Receiptholders and the Couponholders of the relevant Series of Notes, to the substitution, in place of the Issuer as principal debtor under the Notes, the Receipts and the Coupons of any Series and under the Trust Deed (and the Deed Poll where applicable) in relation to such Notes, Receipts and Coupons, of a Successor in Business (as defined in the Trust Deed). No such substitution shall be effected in relation to any Series of Dated Subordinated Notes or Undated Subordinated Notes without the prior consent of the Financial Services Authority.

In connection with any proposed substitution as aforesaid, (a) the Trustee shall not have regard to the consequences of such substitution for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory; and (b) no Noteholder, Receiptholder or Couponholder shall, in connection with any change in principal debtor pursuant to this Condition 14, be entitled to claim from the Issuer any indemnification or payment in respect of any tax consequence of any such change upon individual Noteholders, Receiptholders

or Couponholders except to the extent provided for in Condition 6 (and/or any obligations undertaken in addition thereto or in substitution therefor pursuant to the Trust Deed).

Notwithstanding the foregoing, meetings of the holders of Australian Domestic Notes shall be convened and conducted in accordance with the provisions set out in the Schedule to the Deed Poll.

15. Further Issues

The Issuer shall be at liberty from time to time without the consent of the relevant Noteholders, Receiptholders or Couponholders to create and issue further notes having terms and conditions the same as (or the same in all respects save for the Issue Date, Interest Commencement Date and Issue Price), and so that the same shall be consolidated and form a single Series with, the outstanding Notes of a particular Series.

16. Indemnification

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and/or any of its subsidiaries without accounting for any profit resulting therefrom and to act as Trustee for the holders of any other securities issued by the Issuer.

17. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

18. Governing Law and Submission to Jurisdiction

The Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law except that the provisions of Conditions 2(b) and 2(c) relating to subordination of the Dated Subordinated Notes and the Undated Subordinated Notes, respectively, shall be governed by, and construed in accordance with Scots law and Australian Domestic Notes, the Deed Poll and the Registry Services Agreement are governed by, and shall be construed in accordance with, the laws in force in New South Wales, Australia.

The Issuer has submitted to the jurisdiction of the English courts in the Trust Deed and has appointed the Issuer's London office at the date hereof situated at Fifth Floor, 280 Bishopsgate, London EC2M 4RB as its agent for service of process in England. In relation to Australian Domestic Notes, the Issuer has irrevocably agreed for the benefit of holders of Australian Domestic Notes that the courts of New South Wales, Australia and courts of appeal from them are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Australian Domestic Notes, the Deed Poll or the Registry Services Agreement and that accordingly any suit, action or proceedings arising out of or in connection with the Australian Domestic Notes, the Deed Poll or the Registry Services Agreement may be brought in such courts.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the relevant Issuer to fund its general banking business.

DESCRIPTION OF THE ROYAL BANK OF SCOTLAND GROUP

The Group

The Royal Bank of Scotland Group plc (“**RBSG**”) is a public limited company incorporated in Scotland with registration number 45551. RBSG and its subsidiaries (together, the “**Group**”) is a diversified financial services group engaged in a wide range of banking, financial and finance related activities in the United Kingdom and internationally. The Group’s operations are principally centred in the United Kingdom.

RBSG’s principal operating subsidiary is The Royal Bank of Scotland plc (“**RBS**” or “**Royal Bank**”). As of 31st January, 2003, the entire issued ordinary share capital of National Westminster Bank Plc (“**NatWest**”) was transferred by RBSG to the Royal Bank. Both the Royal Bank and NatWest are major UK clearing banks engaging principally in providing a comprehensive range of banking, insurance and other financial services and each controls, directs and promotes the operations of various subsidiary companies.

Royal Bank was created by the merger in 1985 of the former The Royal Bank of Scotland plc, the largest of the Scottish clearing banks, and Williams & Glyn’s Bank plc, a wholly-owned English clearing bank subsidiary of the Group. At 31st December, 2003, the Royal Bank had over 600 retail branches in the United Kingdom.

NatWest was incorporated in England in 1968 and was formed from the merger of National Provincial Bank Limited and Westminster Bank Limited, which had themselves been formed through a series of mergers involving banks with origins dating back as far as the seventeenth century. At 31st December, 2003, NatWest had over 1,600 retail branches in the United Kingdom.

Business Overview

At and for the year ended 31st December, 2003, based on domicile of customer, no country outside the United Kingdom or the United States accounted for more than 10 per cent. of total assets or profit before tax or net assets of the Group. At 31st December, 2003, the Group had total assets of £455 billion (31st December, 2002 – £412 billion) and total deposits of £304 billion (31st December, 2002 – £274 billion). Shareholders’ funds at 31st December, 2003 were £28,099 million (31st December, 2002 (£27,052 million).

At 31st December, 2003, the Group employed 120,900 staff, (31st December 2002 – 111,800) on a full-time equivalent basis.

Organisation Structure

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. A description of the activities of each of the Group’s businesses is given below:

Corporate Banking and Financial Markets

Through Corporate Banking and Financial Markets (“**CBFM**”) RBS provides an integrated range of products and services to mid-sized and large corporate and institutional customers in the United Kingdom and overseas, including corporate and commercial banking, treasury and capital markets products, structured and leveraged finance, trade finance, leasing and factoring.

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

Retail Banking

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

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

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

Retail Direct

Retail Direct issues a comprehensive range of credit, charge and debit cards to Royal Bank and NatWest personal and corporate customers and engages in merchant acquisition and processing facilities for retail businesses. It also includes the joint venture with Tesco Plc (Tesco Personal Finance), The One Account (formerly Virgin One), Direct Line Financial Services Limited, Lombard Direct, WorldPay Limited, the Group's internet banking platform, the Primeline brand and in Europe and Comfort Card European businesses all of which offer products to customers through direct channels.

Manufacturing

Manufacturing supports the customer facing businesses principally of CBFM, Retail Banking, Retail Direct and Wealth Management and provides operational technology customer support in telephony, account management and money transmission, global purchasing, property and other services.

Wealth Management

Wealth Management comprises various private banking subsidiaries and offshore banking businesses. The Coutts Group brings together businesses that focus on private banking through the Coutts, The Royal Bank of Scotland and the NatWest Private Banking brands. Adam and Company Group PLC is a private bank operating primarily 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 was established following the acquisition by the Group of Churchill Insurance Group on 1st September, 2003. RBS Insurance is comprised of all companies from the previous Direct Line and Churchill Groups. Direct Line and Churchill sell and underwrite retail and wholesale insurance on the telephone and the internet in the United Kingdom and overseas. UKI Partnerships is a leading wholesale provider of insurance and motoring related services. The National Insurance and Guarantee Corporation sells personal and commercial insurance products through a network of independent financial advisers, while Intergroup acts as a travel insurance intermediary, and Devitt Insurance Services Limited operates as a specialist travel insurance broker administrator.

Ulster Bank

Ulster Bank Limited ("**Ulster Bank**") provides a comprehensive range of retail and wholesale financial services in Northern Ireland and the Republic of Ireland. Retail Banking has a network of branches throughout Ireland and operates in the personal, commercial and wealth management sectors. Ulster Bank corporate banking and financial markets provides a wide range of services in the corporate and institutional markets.

On 6th October, 2003 the boards of RBSG and First Active plc ("**First Active**") announced that they had agreed the terms of a recommended offer by RBSG to acquire for cash the entire issued share capital of First Active. The acquisition was completed in January 2004. First Active and Ulster Bank have retained their own distinctive brands, branch networks and customer propositions.

Citizens Financial Group Inc. (“Citizens”)

Citizens is engaged in retail and corporate banking activities carried out through its branch network in the states of Rhode Island, Connecticut, Massachusetts, New Hampshire, Pennsylvania, Delaware and New Jersey. Citizens is the second largest bank in New England and the 13th largest commercial banking organisation in the U.S. measured by deposits. Citizens provides a full range of retail and corporate banking services, including personal banking, residential mortgages and home equity loans. In addition, Citizens engages in a wide variety of commercial loan and commercial real estate activities, consumer lending, credit card services, trust services and retail investment services. Citizens also operates subsidiaries primarily engaged in equipment leasing financing.

FURTHER INFORMATION**Santander Central Hispano (“SCH”)**

Under the terms of an alliance agreement, the Group and SCH co-operate in certain banking and financial activities in Europe. The Group holds 2.83 per cent. of SCH’s capital stock and SCH holds 5.15 per cent. of the Group’s ordinary shares.

Principal subsidiary undertakings

RBSG is the ultimate parent company of the Group. Its principal operating subsidiaries are The Royal Bank of Scotland plc and Churchill Insurance Group. The principal subsidiary undertakings of RBS are shown below. All of the undertakings are unlisted and their capital consists of ordinary and preference shares. All of the subsidiary undertakings are wholly owned by RBS directly or indirectly through intermediate holding companies.

Citizens Financial Group, Inc.

Coutts & Co

Direct Line Insurance plc

Greenwich Capital Markets, Inc.

Lombard North Central PLC

National Westminster Bank Plc

The Royal Bank of Scotland International Limited

Ulster Bank Limited

Recent Developments

On 3rd February, 2004, RBS announced that it had agreed terms with People’s Bank of Connecticut to purchase their credit card portfolio. The transaction was completed on 5th March, 2004.

DIRECTORS

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

<i>Name</i>	<i>Functions within the Group</i>	<i>Principal outside activity (if any) of significance to the Group</i>
Chairman		
Sir George Ross Mathewson	Chairman	–
Vice-Chairmen		
Sir Iain David Thomas Vallance	Vice-Chairman	Formerly Chairman, British Telecommunications plc
Sir Angus McFarlane McLeod Grossart	Vice-Chairman	Chairman and Managing Director, Noble Grossart Limited
Executive Directors		
Frederick Anderson Goodwin	Group Chief Executive	–
Lawrence Kingsbaker Fish	Chairman, President and Chief Executive Officer, Citizens Financial Group, Inc	–
Norman Cardie McLuskie	Chairman, Retail Direct	–
Gordon Francis Pell	Chairman, Retail Banking and Wealth Management	–
Frederick Inglis Watt	Group Finance Director	–
Non-executive Directors		
Emilio Botin-Sanz Sautuola y Garcia de los Rios	–	Chairman, Santander Central Hispano, S.A.
Colin Alexander Mason Buchan	–	Formerly Head of Global Equities, UBS Warburg
James McGill Currie	–	Formerly a Director General at the European Commission
Juan Rodriguez Inciarte	–	Director, Santander Central Hispano, S.A.
Eileen Alison Mackay	–	Formerly Principal Finance Officer, The Scottish Office
Iain Samuel Robertson	Chairman, Corporate Banking and Financial Markets	–
Sir Steve Robson	–	Formerly Second Permanent Secretary, HM Treasury
Robert Avisson Scott	–	Formerly Chief Executive, CGNU plc
Peter Denis Sutherland	–	Formerly Chairman and Managing Director, 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

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

The following tables summarise RBSG's audited consolidated financial results for its financial years ended 31st December, 2003 and 31st December, 2002 and have been extracted without material adjustment from the audited consolidated financial statements of RBSG for the financial year ended 31st December, 2003.

Financial Summary for the year ended 31st December, 2003 and for the year ended 31st December, 2002

	<i>Year ended 31st December, 2003 £m</i>	<i>Year ended 31st December, 2002 £m</i>
Profit on ordinary activities before tax	6,159	4,763
Tax on profit on ordinary activities	(1,910)	(1,556)
Profit on ordinary activities after tax	<u>4,249</u>	<u>3,207</u>
Called up share capital	769	754
Reserves	<u>27,330</u>	<u>26,298</u>
Shareholders' funds	28,099	27,052
Minority interests	2,713	1,839
Dated loan capital	9,312	7,602
Undated loan capital including convertible debt	<u>7,686</u>	<u>6,363</u>
Capital resources	<u>47,810</u>	<u>42,856</u>
	<i>£bn</i>	<i>£bn</i>
Deposits by customers and banks	304.3	273.9
Loans and advances to customers and banks	304.4	267.6
Total assets	455.3	412.0

Dividend Record of RBSG for the year ended 31st December, 2003 and for the year ended 31st December, 2002

	<i>Year ended 31st December, 2003 £m</i>	<i>Year ended 31st December, 2002 £m</i>
Dividends paid on Preference Shares	<u>261</u>	<u>305</u>
Dividends paid on Additional Value Shares	1,463	793
Dividends paid on Ordinary Shares	<u>1,490</u>	<u>1,267</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 RBSG and the shareholders' funds and indebtedness as at 31st December, 2003, derived from the audited consolidated financial statements of RBSG for the year ended 31st December, 2003.

	<i>As at 31st December, 2003 £m</i>
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	740
Non-voting deferred shares	27
Additional value shares	–
Preference shares ⁽²⁾	2
	<u>769</u>
Retained income and other reserves	27,330
Total shareholders' funds	<u>28,099</u>
Group indebtedness	
Dated loan capital	9,312
Undated loan capital	7,686
	<u>16,998</u>
Debt securities in issue	41,016
Total indebtedness	<u>58,014</u>
Total capitalisation and indebtedness	<u>86,113</u>

Notes:

- (1) The authorised preference share capital of the Group as at 31st December, 2003 was £528 million, consisting of 238.5 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, 1.0 million non-cumulative convertible preference shares of £0.01 each, 0.9 million cumulative preference shares of £1 each and 300 million non-cumulative preference shares of £1 each.
- (2) The allotted, called up and fully paid preference share capital of the Group as at 31st December, 2003 was £2 million, consisting of 82 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 31st December, 2003, the Group had total liabilities, including shareholders' funds, of £455,275 million, including deposits by banks of £67,323 million and customer accounts of £236,963 million.
- (4) All of the above indebtedness is unsecured. None of the above indebtedness is guaranteed.
- (5) As at 31st December, 2003, the Group had contingent liabilities and guarantees arising in the normal course of business totalling £14,864 million, consisting of acceptances and endorsements of £595 million, guarantees and assets pledged as collateral security of £8,787 million and other contingent liabilities of £5,482 million.
- (6) Following the completion of the acquisition of First Active plc on 5th January 2004, the consolidated dated loan capital increased by £80 million and the consolidated undated loan capital increased by £35 million.
- (7) RBSG Capital Corporation repaid the US\$250 million 10.125 per cent. guaranteed capital notes 2004 on 1st March, 2004.
- (8) Save as disclosed above, there has been no material change in the contingent liabilities, total capitalisation and indebtedness of the Group since 31st December, 2003.

The following table shows the loan capital of RBSG and its subsidiaries, extracted without material adjustment from the audited consolidated financial statements of RBSG for the year ended 31st December, 2003.

	<i>As at 31st December, 2003 £m</i>
Dated Loan Capital	
The Royal Bank of Scotland Group plc	
£200 million floating rate (minimum 5.25 per cent.) notes 2005	80
US\$400 million 6.4 per cent. subordinated notes 2009	223
US\$300 million 6.375 per cent. subordinated notes 2011	166
US\$750 million 5 per cent. subordinated notes 2013 (issued November 2003)	416
US\$750 million 5 per cent. subordinated notes 2014	417
US\$250 million 5 per cent. subordinated notes 2014	137
US\$350 million 4.7 per cent. subordinated notes 2018 (issued July 2003)	195
	<hr/> 1,634 <hr/>
The Royal Bank of Scotland plc	
£125 million subordinated floating rate notes 2005	125
£150 million 8.375 per cent. subordinated notes 2007	149
DEM 500 million (redesignated EUR255 million) 5.25 per cent. subordinated notes 2008	180
EUR300 million 4.875 per cent. subordinated notes 2009	211
US\$150 million floating rate notes 2009	84
£35 million floating rate step-up subordinated notes 2010	35
US\$350 million floating rate subordinated notes 2012	196
EUR130 million floating rate subordinated notes 2012	92
US\$500 million floating rate subordinated notes 2012	280
£150 million 10.5 per cent. subordinated bonds 2013	149
EUR1,000 million 6.0 per cent. fixed rate subordinated notes 2013	700
EUR500 million 6.0 per cent. fixed rate subordinated notes 2013	362
US\$50 million floating rate subordinated notes 2013	28
EUR1,000 million floating rate subordinated notes 2013 (issued October 2003; callable October 2008)	705
£250 million 9.625 per cent. subordinated bonds 2015	248
EUR750 million 4.875 per cent. subordinated notes 2015 (issued April 2003)	529
EUR500 million 4.5 per cent. subordinated notes 2016 (issued December 2003; callable January 2011)	351
EUR100 million floating rate subordinated notes 2017	70
US\$125.6 million subordinated rate notes 2020	70
RBSG Capital Corporation	
US\$250 million 10.125 per cent. guaranteed capital notes 2004	140
National Westminster Bank Plc	
£100 million 12.5 per cent. subordinated unsecured loan stock 2004	104
US\$400 million guaranteed floating rate capital notes 2005	223
US\$1,000 million 7.375 per cent. fixed rate subordinated notes 2009	553
US\$650 million floating rate subordinated step-up notes 2009 (callable October 2004)	366
EUR600 million 6.0 per cent. subordinated notes 2010	419
£300 million 8.125 per cent. step-up subordinated notes 2011 (callable December 2006)	303
EUR500 million 5.125 per cent. subordinated notes 2011	341
£300 million 7.875 per cent. subordinated notes 2015	309
£300 million 6.5 per cent. subordinated notes 2021	297
Greenwich Capital Holdings, Inc.	
US\$105 million subordinated loan capital 2004 floating rate notes	59
	<hr/> 9,312 <hr/>

*In addition, RBSG issued 1.25 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 and 650,000 subordinated loan notes of US\$1,000 each in December 2003 to subsidiaries of RBSG. These loan notes are included in the RBSG balance sheet within loan capital but are reclassified as non-equity minority interests on consolidation and are not included in the consolidated RBSG balance sheet.

As at
31st December,
2003
£m

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)	196
US\$200 million 8.5 per cent. exchangeable capital securities, Series A (callable June 2004)	112
US\$50 million undated 7.993 per cent. capital securities (callable November 2005)	28
US\$35 million undated 7.755 per cent. capital securities (callable December 2005)	19
US\$200 million undated 7.375 per cent. reset capital securities (callable April 2006)	112
US\$75 million floating rate perpetual capital securities (callable September 2007)	42
US\$850 million 5.75 per cent. exchangeable capital securities, Series B (issued June 2003; callable June 2008)	464
US\$1,200 million 7.648 per cent. perpetual regulatory tier one securities (callable September 2031)	666
	<hr/>
	1,639

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)	173
£350 million 6.25 per cent. undated subordinated notes (callable December 2012)	348
£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
£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)	211
£400 million 5.625 per cent. undated subordinated notes (issued October 2003; callable September 2026)	396
£350 million 5.625 per cent. undated subordinated notes (callable June 2032)	346
£150 million 5.625 per cent. undated subordinated notes (callable June 2032)	144

National Westminster Bank Plc

US\$500 million primary capital floating rate notes, Series A (callable on any interest payment date)	280
US\$500 million primary capital floating rate notes, Series B (callable on any interest payment date)	280
US\$500 million primary capital floating rate notes, Series C (callable on any interest payment date)	280
US\$500 million 7.875 per cent. exchangeable capital securities (callable on any interest payment date)	280
US\$500 million 7.75 per cent. reset subordinated notes (callable October 2007)	275
EUR100 million floating rate undated subordinated step-up notes (callable October 2009)	70
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)	330
£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)	285
	<hr/>
	7,686

CONSOLIDATED FINANCIAL STATEMENTS OF THE ROYAL BANK OF SCOTLAND GROUP PLC

The following tables have been extracted from RBSG's audited consolidated results for the financial years ended 31st December, 2003 and 31st December, 2002 without material adjustment from the audited consolidated financial statements of RBSG for the financial year ended 31st December, 2003.

Consolidated Profit and Loss Account – The Royal Bank of Scotland Group plc for the year ended 31st December, 2003

	<i>Year ended 31st December, 2003 £m</i>	<i>Year ended 31st December, 2002 £m</i>
Interest receivable		
– interest receivable and similar income arising from debt securities	1,519	1,591
– other interest receivable and similar income	12,479	11,970
Interest payable	(5,697)	(5,712)
Net interest income	8,301	7,849
Dividend income	58	58
Fees and commissions receivable	5,755	5,308
Fees and commissions payable	(1,337)	(965)
Dealing profits	1,793	1,462
Other operating income	1,598	1,209
	7,867	7,072
General insurance – earned premiums	3,565	2,383
– reinsurance	(504)	(489)
Non-interest income	10,928	8,966
Total income	19,229	16,815
Administrative expenses		
– staff costs*	4,518	4,472
– premises and equipment*	1,073	1,006
– other*	2,108	2,253
Depreciation and amortisation		
– tangible fixed assets*	919	895
– goodwill	763	731
Operating expenses	9,381	9,357
Profit before other operating charges	9,848	7,458
General insurance – gross claims	2,644	1,693
– reinsurance	(449)	(343)
Profit before provisions for bad and doubtful debts	7,653	6,108
Provisions for bad and doubtful debts	1,461	1,286
Amounts written off fixed asset investments	33	59
Profit on ordinary activities before tax	6,159	4,763
Tax on profit on ordinary activities	1,910	1,556

*includes integration expenditure

	<i>Year ended 31st December, 2003 £m</i>	<i>Year ended 31st December, 2002 £m</i>
Profit on ordinary activities after tax	4,249	3,207
Minority interests (including non-equity)	210	133
Profit for the financial year	4,039	3,074
Preference dividends – non-equity	261	305
Additional Value Shares dividend – non-equity	1,463	798
	3,778	2,769
Profit attributable to ordinary shareholders	2,315	1,971
Ordinary dividends	1,490	1,267
Retained profit	825	704

Notes:

All items dealt with in arriving at operating profit relate to continuing operations.

Profit on ordinary activities before taxation and the retained profit for the year on a historical cost basis were not materially different from the reported amounts.

**Consolidated Balance Sheet – The Royal Bank of Scotland Group plc
at 31st December, 2003 and 31st December, 2002**

	<i>31st December, 2003 £m</i>	<i>31st December, 2002 £m</i>
Assets		
Cash and balances at central banks	3,822	3,481
Items in course of collection from other banks	2,501	2,741
Treasury bills and other eligible bills	4,846	11,459
Loans and advances to banks	51,891	44,296
Loans and advances to customers	252,531	223,324
Debt securities	79,949	67,042
Equity shares	2,300	1,886
Interests in associated undertakings	106	94
Intangible fixed assets	13,131	12,697
Tangible fixed assets	13,927	10,485
Settlement balances	2,857	4,102
Other assets	18,436	16,929
Prepayments and accrued income	5,421	4,353
Long-term assurance assets attributable to policyholders	3,557	9,111
Total assets	<u>455,275</u>	<u>412,000</u>
Liabilities		
Deposits by banks	67,323	54,720
Items in course of transmission to other banks	958	1,258
Customer accounts	236,963	219,161
Debt securities in issue	41,016	33,938
Settlement balances and short positions	21,369	19,412
Other liabilities	20,584	20,754
Accruals and deferred income	13,173	8,626
Provisions for liabilities and charges		
– deferred taxation	2,266	1,834
– other provisions	256	330
Subordinated liabilities		
– dated loan capital	9,312	7,602
– undated loan capital including convertible debt	7,686	6,363
Minority interests		
– equity	(11)	(11)
– non-equity	2,724	1,850
Called up share capital	769	754
Share premium account	8,175	7,608
Merger Reserves	10,881	11,455
Other reserves	419	387
Revaluation reserve	7	80
Profit and loss account	7,848	6,768
Shareholders' funds		
– equity	25,176	23,545
– non-equity	2,923	3,507
Long-term assurance assets attributable to policyholders	3,557	9,111
Total liabilities	<u>455,275</u>	<u>412,000</u>

**Balance Sheet – The Royal Bank of Scotland Group plc
at 31st December, 2003 and 31st December, 2002**

	<i>31st December, 2003 £m</i>	<i>31st December, 2002 £m</i>
Fixed assets		
Investments:		
Shares in Group undertakings	32,354	19,862
Loans to Group undertakings	4,554	3,354
	<u>36,908</u>	<u>23,216</u>
Current assets		
Debtors:		
Due by subsidiary undertakings	238	958
Debtors and prepayments	202	113
	<u>440</u>	<u>1,071</u>
Creditors		
Amounts falling due within one year:		
Due to banks	71	71
Dated loan capital	40	40
Debt securities in issue	1,877	1,199
Other creditors	217	154
Proposed final dividend	1,059	899
	<u>3,264</u>	<u>2,363</u>
Net current liabilities	<u>(2,824)</u>	<u>(1,292)</u>
Total assets less current liabilities	<u>34,084</u>	<u>21,924</u>
Creditors		
Amounts falling due beyond one year:		
Loan from subsidiary undertakings	186	155
Dated loan capital	3,714	2,402
Undated loan capital including convertible debt	1,639	1,301
	<u>5,539</u>	<u>3,858</u>
Capital and reserves		
Called up share capital	769	754
Share premium account	8,175	7,608
Other reserves	156	156
Revaluation reserve	16,857	6,001
Profit and loss account	2,588	3,547
Shareholders' funds		
– equity	25,622	14,559
– non-equity	2,923	3,507
	<u>34,084</u>	<u>21,924</u>

**Statement of Consolidated Total Recognised Gains and Losses – The Royal Bank of Scotland Group plc
for the year ended 31st December, 2003 and for the year ended 31st December, 2002**

	<i>Year ended 31st December, 2003 £m</i>	<i>Year ended 31st December, 2002 £m</i>
Profit attributable to ordinary shareholders	2,315	1,971
Currency translation adjustments and other movements	43	36
Revaluation of premises	(69)	(33)
Total recognised gains and losses in the year	2,289	1,974
Prior year adjustment arising from the implementation of Financial Reporting Standard 19 “Deferred Tax”	–	(117)
Total recognised gains and losses since 31st December, 2002	2,289	1,857

**Reconciliation of Movements in Consolidated Shareholders’ Funds
for the year ended 31st December, 2003 and for the year ended 31st December, 2002**

	<i>Year ended 31st December, 2003 £m</i>	<i>Year ended 31st December, 2002 £m</i>
Profit attributable to ordinary shareholders	2,315	1,971
Ordinary dividends	(1,490)	(1,267)
Retained profit for the year	825	704
Issue of ordinary and preference shares	775	560
Redemption of preference shares	(364)	(600)
Goodwill previously written off to reserves	40	–
Other recognised gains and losses	(26)	3
Currency translation adjustments on share premium account	(203)	(283)
Net increase in shareholders’ funds	1,047	384
Opening shareholders’ funds	27,052	26,668
Closing shareholders’ funds	28,099	27,052

CAPITALISATION AND INDEBTEDNESS OF THE ROYAL BANK OF SCOTLAND PLC

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The following table, which is prepared on a consolidated basis, shows the authorised, issued and fully paid share capital of RBS and the shareholders' funds and indebtedness as at 31st December, 2003, derived from the audited consolidated financial statements of RBS for the year ended 31st December, 2003.

	<i>As at 31st December, 2003 £m</i>
Share capital – authorised	
Ordinary shares – shares of £1 each	7,980
Preference shares ⁽¹⁾	2,302
	<u>10,282</u>
Share capital – allotted, called up and fully paid	
Ordinary shares	2,836
Preference shares ⁽²⁾	126
	<u>2,962</u>
Retained income and other reserves	27,454
Total shareholders' funds including non-equity interests	<u>30,416</u>
Indebtedness	
Dated loan capital	9,317
Undated loan capital	8,580
	<u>17,897</u>
Debt securities in issue	38,120
Total indebtedness	<u>56,017</u>
Total capitalisation and indebtedness	<u>86,433</u>

Notes:

- (1) The authorised preference share capital of RBS as at 31st December, 2003 was £2,302 million consisting of 299 million non-cumulative preference shares of US\$0.01 each, 66 million non-cumulative preference shares of Euro 0.01 each, 100 million perpetual zero coupon preference shares of £1 each and 2,200 million non-cumulative preference shares of £1 each.
- (2) The allotted, called up and fully paid preference share capital of RBS as at 31st December, 2003 was £126 million consisting of 86 million non-cumulative preference shares of US\$0.01 each and 125 million non-cumulative preference shares of £1 each.
- (3) As at 31st December, 2003, RBS and its subsidiaries had total liabilities, including capital and reserves of £444,995 million, including deposits by banks of £66,884 million and customer accounts of £236,740 million.
- (4) All of the above indebtedness is unsecured. £149 million of the dated loan capital and £198 million of the undated loan capital are guaranteed by RBSG.
- (5) As at 31st December, 2003, RBS and its subsidiaries had contingent liabilities and guarantees arising in the normal course of business totalling £14,864 million, consisting of acceptances and endorsements of £595 million, guarantees and assets pledged as collateral security of £8,787 million and other contingent liabilities of £5,482 million.
- (6) There have been no new issues of subordinated loan capital since 31st December, 2003.
- (7) Following the completion of the acquisition of First Active plc on 5th January 2004, the consolidated dated loan capital increased by £80 million and the consolidated undated loan capital increased by £35 million.
- (8) RBS repaid the US\$250 million 10.125 per cent. guaranteed capital notes 2004 on 1st March, 2004.
- (9) Save as disclosed above, there has been no material change in the contingent liabilities, total capitalisation and indebtedness of RBS since 31st December, 2003.

UNITED KINGDOM TAXATION

The comments below are of a general nature and relate to certain United Kingdom tax implications for persons who are the absolute beneficial owners of their Notes (including Australian Domestic Notes) and Coupons and may not apply to certain classes of person. The comments address the position of such persons under current law and Inland Revenue practice. Prospective holders of the Notes (including Australian Domestic Notes) who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should seek independent advice.

I. Interest

1. Payments of interest made in respect of Notes which carry a right to interest and which are listed on a recognised stock exchange may be made without withholding or deduction for or on account of United Kingdom income tax.

Additionally, each Issuer is entitled to make payments of interest without deduction or withholding for or on account of United Kingdom income tax provided that it continues to be a bank within the meaning of section 840A Income and Corporation Taxes Act 1988 (“the Act”) and the interest on the Notes is paid in the ordinary course of its business. Similarly the Issuer is entitled to make payments of interest without deduction or withholding for or on account of United Kingdom income tax if, at the time the relevant payments are made, the Issuer reasonably believes that, broadly, the person beneficially entitled to the income is a company within the charge to United Kingdom corporation tax in respect of the interest or falls within a list of specified tax-exempt entities and bodies (unless the United Kingdom Inland Revenue has given a direction that this exemption shall not apply, having reasonable grounds for believing the conditions for this exemption will not be met).

In all other cases an amount must be withheld on account of income tax at the lower rate applicable to savings income (currently 20 per cent.) subject to the provisions of an applicable double taxation treaty.

2. Payments of interest in respect of Notes have a United Kingdom source and accordingly may be chargeable to United Kingdom tax by direct assessment even if paid without withholding or deduction. Exemption from or reduction of such United Kingdom tax liability may be available under an applicable double taxation treaty.

Where the interest is paid without deduction or withholding on account of United Kingdom tax, the interest will not be chargeable to United Kingdom tax in the hands of a Noteholder who is not resident for tax purposes in the United Kingdom unless that Noteholder carries on a trade, profession or vocation in the United Kingdom in connection with which the interest is received or to which the relevant Notes are attributable. There are certain exemptions for interest received by certain categories of agent (such as some brokers and investment managers).

Noteholders should note that the provisions relating to additional amounts set out in Condition 6 of the Terms and Conditions would not apply if the Inland Revenue sought to assess the person entitled to the relevant interest directly to United Kingdom tax on interest.

3. The United Kingdom Inland Revenue has power to require any person paying or crediting interest in the ordinary course of its business to provide information to the Inland Revenue in respect of the interest paid or credited and the persons to whom the interest was so paid or credited. In certain circumstances, the United Kingdom Inland Revenue may be entitled to exchange such information with the tax authorities of other jurisdictions. Interest for this purpose includes any amount to which a person holding a relevant discounted security is entitled on redemption of that security.

II. EU Directive on the Taxation of Savings Income

4. On 3rd June, 2003, the Council of the European Union adopted a Council Directive on the taxation of savings income. Under this Directive, subject to a number of important conditions being met, it is proposed that Member States will be required from a date not earlier than 1st January, 2005 to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person within its jurisdiction to an individual resident in another Member State, except that for a transitional period, Belgium, Luxembourg and Austria will instead operate a withholding system

unless during that period they elect otherwise (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries and territories). Holders of Notes who are individuals should note that, if this proposal is implemented as currently anticipated, no additional amounts would be payable by the Issuer pursuant to the provisions of Condition of the Terms and Conditions of the Notes in respect of any withholding tax imposed as a result thereof.

III. Discounts and other returns – United Kingdom withholding tax

If Notes are issued at a discount to their principal amount, any such discount element is not subject to any United Kingdom withholding tax. If Notes are redeemed at a premium to principal amount (as opposed to being issued at a discount) then, depending on the circumstances, such premium may constitute a payment of interest for United Kingdom tax purposes and hence be subject to the United Kingdom withholding tax rules outlined above.

AUSTRALIAN TAXATION

The following is a summary of the Australian taxation treatment at the date of this Prospectus, of payments on the Australian Domestic Notes to be issued by Royal Bank under the Programme and certain other matters. It is a general guide and should be treated with appropriate caution. Prospective holders of Notes who are in any doubt as to their tax position should consult their professional advisers on the tax implications of an investment in the Australian Domestic Notes for their particular circumstances.

I. Interest withholding tax

So long as Royal Bank continues to be a non-resident of Australia and the Australian Domestic Notes issued by it are not attributable to a permanent establishment of Royal Bank in Australia, payments of principal and interest made under Australian Domestic Notes issued by it will not be subject to Australian interest withholding tax.

II. Other tax matters

Under Australian laws as presently in effect:

- (1) *death duties* – no Australian Domestic Notes will be subject to death, estate or succession duties imposed by Australia, or by any political subdivision or authority therein having power to tax, if held at the time of death; and
- (2) *stamp duty and other taxes* – no ad valorem stamp, issue, registration or similar taxes are payable in Australia on the issue or transfer of any Australian Domestic Notes; and
- (3) *other withholding taxes on payments in respect of Australian Domestic Notes* – so long as Royal Bank continues to be a non-resident of Australia and does not carry on business at or through a permanent establishment in Australia, and on the basis of the current administration of Australian tax laws by the Australian Taxation Office, the tax file number requirements of Part VA of the Australian Income Tax Assessment Act of 1936 and section 12-140 of the Taxation Administration Act 1953 of Australia (“**Taxation Administration Act**”) will not apply in connection with Notes issued by Royal Bank; and
- (4) *supply withholding tax* – payments in respect of the Australian Domestic Notes can be made free and clear of the “supply withholding tax” imposed under section 12-190 of the Taxation Administration Act; and
- (5) *goods and services tax (GST)* — neither the issue nor receipt of the Australian Domestic Notes will give rise to a liability for GST in Australia on the basis that the supply of Australian Domestic Notes will comprise either an input taxed financial supply or (in the case of an offshore subscriber) a GST-free supply. Furthermore, neither the payment of principal or interest by Royal Bank, nor the disposal of the Australian Domestic Notes, would give rise to any GST liability in Australia.

SUBSCRIPTION AND SALE

The Dealers have in an amended and restated programme agreement (the “**Programme Agreement**”) dated 22nd April, 2004, agreed with the Issuers a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “Form of the Notes” and “Terms and Conditions of the Notes” above. In the Programme Agreement, the Issuers have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme.

Selling Restrictions

(a) United States of America

The Notes 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, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the Programme Agreement, it will not offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, as determined and certified by the relevant Dealer, or, in the case of an issue of Notes on a syndicated basis the relevant lead manager within the United States or to, or for the account or benefit of, U.S. persons and it will have sent to each dealer to which it sells Notes during the distribution compliance period, as defined in Regulation S under the Securities Act, a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Until 40 days after the commencement of the offering, an offer or sale of Notes 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 in accordance with an available exemption from registration under the Securities Act.

Each issue of Dual Currency and Index Linked Notes will be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer or Dealers may agree as indicated in the applicable Pricing Supplement. Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will offer, sell or deliver such Notes only in compliance with such additional U.S. selling restrictions.

(b) United Kingdom

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:–

- (i) in relation to Notes which have a maturity of one year or more and which are to be admitted to the Official List, it has not offered or sold, and will not offer or sell, any such Notes to persons in the United Kingdom prior to admission of such Notes to listing in accordance with Part VI of the FSMA, 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 United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (the “**POS Regulations**”) or the FSMA;
- (ii) in relation to Notes which have a maturity of one year or more and which are not to be admitted to the Official List, it has not offered or sold, and, prior to the expiry of a period of six months from the Issue Date of such Notes, will not offer or sell, any such Notes to persons in the United Kingdom 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 United Kingdom within the meaning of the POS Regulations;

- (iii) in relation to any Notes issued by RBSG, which have a maturity of less than one year from the date of issue, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than 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 who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by RBSG as an Issuer;
- (iv) it has only communicated or caused to be communicated, and it will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA would not, if the Issuer were not an authorised person, apply to the Issuer; and
- (v) it has complied and will comply with all applicable provisions of the FSMA (and all rules and regulations made pursuant to the FSMA), with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

(c) Australia

No prospectus or other disclosure document in relation to the Programme or any Notes has been or will be lodged with the Australian Securities and Investments Commission (“ASIC”). Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that unless the relevant Pricing Supplement provides otherwise, it:–

- (i) has not made or invited, and will not make or invite, an offer of the Notes for issue or sale in Australia (including an offer or invitation which is received by a person in Australia); and
- (ii) has not distributed or published, and will not distribute or publish, this Prospectus or any other offering material or advertisement relating to the Notes in Australia,

unless (iii) the minimum aggregate consideration payable by each offeree is at least A\$500,000 (disregarding moneys lent by the offeror or its associates) or the offer otherwise does not require disclosure to investors in accordance with Part 6D.2 of the Corporations Act 2001 of Australia, and (iv) such action complies with all applicable laws, regulations and directives and does not require any document to be lodged with ASIC.

(d) Japan

Each Dealer understands that the Notes have not been, and will not be, registered under the Securities and Exchange Law of Japan (the “**Securities and Exchange Law**”). Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except in circumstances which will result in compliance with the Securities and Exchange Law and, any other applicable laws and regulations of Japan.

(e) The Netherlands

Dutch 1992 Act of the Supervision of the Credit System

Notes (including rights representing an interest in a global note) issued by RBSG plc may not, directly or indirectly, be, or announced to be, offered, sold, resold, transferred, or delivered prior to their initial distribution or at any time thereafter, to or to the order of or for the account of any person in The Netherlands, other than professional market parties (“**Professional Market Parties**”), including, *inter alia*, (I) regulated credit institutions, insurance companies, securities firms, investment institutions and pension funds in a member state of the European Union, Liechtenstein, Iceland, Norway, Hungary, Monaco, Poland, Puerto Rico, Saudi Arabia, Slovakia, the Czech Republic, Turkey, South Korea, the United States of America, Japan, Australia, Canada, Mexico, New Zealand or Switzerland and regulated subsidiaries thereof, (II) central and local governments, central banks, international treaty organisations, supranational institutions, (III) enterprises and institutions with assets totalling EUR 500,000,000 or more, (IV) enterprises, institutions or natural persons with net equity of at least EUR 10,000,000 and which or who have during two calendar years been active on the financial markets at least twice per month, and (V) enterprises and institutions which have a rating of a rating agency that is recognised by the Dutch Central

Bank or which issue securities that have a rating from such rating agency, all within the meaning of and as further described and defined in section 1, paragraph E, of the Dutch ministerial regulation of 26 June 2002, as amended from time to time, implementing, *inter alia*, section 6, paragraph 2 of the Dutch 1992 Act of the Supervision of the Credit System (*Wet toezicht kredietwezen 1992*), as amended from time to time.

If at the time of issue of Notes (including rights representing an interest in a Global Note) RBSG is not reasonably able to identify the current or future holders thereof as Professional Market Parties, it may nevertheless issue such Notes if it has taken sufficient measures to ensure that such Notes are held by Professional Market Parties.

Sufficient measures have been taken if such Notes:

- (A) (a) have a denomination of at least EUR 500,000 (or the equivalent in any other currency) (the “**High Denomination**”); and
- (b) are either:
 - (i) at the time of their issuance entered into a clearing system or centralised deposit system that is established or operating in a member state of the European Union, Liechtenstein, Iceland, Norway, the United States of America, Japan, Australia, Canada or Switzerland in which securities can only be held through a licensed credit institution or securities institution; or
 - (ii) are initially issued to Professional Market Parties that are reasonably expected to transfer the Notes exclusively to Professional Market Parties

all within the meaning of and as further described and defined in the Guidelines published by Dutch Central Bank (Official Gazette, 10 July 2002, no. 129) as amended and/or restated from time to time;

or

- (B) (a) have a denomination lower than the High Denomination;
- (b) are subject to a selling restriction and an enforcement mechanism (*handhavingsmechanisme*);
- (c) are either:
 - (i) at the time of their issuance entered into a clearing system or centralised deposit system that is established or operating in a member state of the European Union, Liechtenstein, Iceland, Norway, the United States of America, Japan, Australia, Canada or Switzerland in which securities can only be held through a licensed credit institution or securities institution; or
 - (ii) are initially issued to Professional Market Parties that are reasonably expected to transfer the Notes exclusively to Professional Market Parties,

all within the meaning of and as further described and defined in the Guidelines published by Dutch Central Bank (Official Gazette, 10 July 2002, no. 129) as amended and/or restated from time to time.

Dutch Securities Supervision Act 1995

Notes that are offered to any person in The Netherlands, as part of their initial distribution or by way of re-offering, may (in as far as possible) only be offered and such an offer may (in as far as possible) only be announced:

- (A) within a closed circle; or
- (B) if those Notes have a denomination of at least EUR 50,000 or the equivalent in any other currency; or
- (C) if the Notes, irrespective of their denomination, can be acquired only as a package for a consideration of at least EUR 50,000 or the equivalent in any other currency, provided that (i) the offer, the applicable Pricing Supplement and each announcement of the offer states that the Notes are only offered as a package for a consideration of at least EUR 50,000 or the equivalent in any other currency and (ii) any such document or written announcement is submitted to the Dutch Authority for the Financial Markets before the offer is made or announced; or
- (D) to persons who trade or invest in securities in the conduct of a business or profession (which includes banks, securities firms, insurance companies, pension funds, investment institutions, central governments, large international and supranational organisations, other institutional investors and other parties, including treasury departments of commercial enterprises, which are regularly active in the financial markets in a professional manner), provided that the offer, the applicable Pricing Supplement and each announcement of the offer states that the offer is and will exclusively be made to such persons; or

otherwise in accordance with the Dutch Securities Supervision Act 1995 (*Wet toezicht effectenverkeer 1995*).

(f) Germany

In connection with the initial placement of the Notes in Germany, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold and it will not offer or sell Notes in Germany other than in compliance with the Securities Prospectus Law (*Wertpapier Verkaufsprospektgesetz*) of 17th July, 1996 in the renewed version from 9th September, 1998 and the Securities Trading Act (*Wertpapierhandelsgesetz*) as announced on 9th September, 1998, as amended, or any other law applicable in Germany governing the issue, offering and sale of securities.

(g) France

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes are being issued outside of France, and that, in connection with their initial distribution, it has not offered or sold, and will not offer to sell, directly or indirectly, Notes in France, and has not distributed and will not distribute or cause to be distributed in France, directly or indirectly, the Prospectus or any other offering material relating to the Notes, except to (i) qualified investors (*investisseurs qualifiés*) and/or (ii) a restricted circle of investors (*cercle restreint d'investisseurs*), in each case acting for own account, within the meaning of and in compliance with articles 6 and 7 of the Ordinance dated 28th September, 1967 (as amended) and Decree no. 98-880 dated 1st October, 1998 and in compliance with the regulations issued from time to time by the *Commission des opérations de bourse* including the requirement to inform investors that the Programme and other offering materials relating to the Notes have not been submitted for approval by the *Commission des opérations de bourse*.

(h) Switzerland

The issue of Notes denominated in Swiss francs or carrying a Swiss franc related element with a maturity of more than one year will be effected in compliance with the relevant regulations of the Swiss National Bank based on Article 7 of the Federal Law on Banks and Savings Banks of 8th November, 1934 (as amended) and Article 15 of the Federal Law on Stock Exchanges and Securities Trading of 24th March, 1995 in connection with Article 2, paragraph 2 of the Ordinance of the Federal Banking Commission on Stock Exchanges and Securities Trading of 2nd December, 1996. Under the said regulations, the relevant Dealer or, in the case of a syndicated issue, the lead manager (the “**Swiss Dealer**”), must be a bank domiciled in Switzerland (which includes a branch or subsidiary of a foreign bank located in Switzerland) or a securities dealer duly licensed by the Swiss Federal Banking Commission as per the Federal Law on Stock Exchanges and Securities Trading of 24th March, 1995. The Swiss Dealer must report certain details of the relevant transaction to the Swiss National Bank no later than the relevant issue date for such transaction.

(i) General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree to comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers the Notes or possesses or distributes this Prospectus or any other offering material and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any other Dealer shall have responsibility therefor.

Neither the Issuers nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, there may exist other additional or modified restrictions as the Issuers and the relevant Dealer(s) shall agree as a term of issuance and purchase as indicated in the relevant Pricing Supplement.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Notes under the Programme have been duly authorised by resolutions of the Board of Directors of Royal Bank dated 27th October, 1993, 25th January, 1995, 24th January, 1996, 22nd January, 1997, 28th January, 1998, 27th January, 1999, 26th January, 2000, 31st January, 2001, 20th February, 2002 and by resolutions of an authorised committee of the Board of Directors of Royal Bank dated 22nd February, 1994, 14th February, 1995, 12th February, 1996, 11th February, 1997, 13th February, 1998, 11th February, 1999, 15th April, 1999, 28th July, 1999, 22nd December, 1999, 10th February, 2000, 21st February, 2000, 28th March, 2001, 28th March, 2002, 26th March, 2003 and 19th April, 2004.

The addition of RBSG as an Issuer and the issue of Notes under the Programme have been duly authorised by a resolution of the Board of Directors of RBSG dated 31st March, 2004 and by a resolution of an authorised committee of the Board of Directors of RBSG dated 19th April, 2004.

Listing

- (1) Listed Notes which are admitted to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange will be admitted separately as and when issued, subject only to the issue of a temporary global Note initially representing the Notes of that Tranche. The listing of the Programme in respect of such Notes is expected to be granted on 24th April, 2004.
- (2) The listing of the Notes on the Luxembourg Stock Exchange has been duly authorised by resolutions of an authorised committee of the Board of Directors of Royal Bank dated 19th July, 1995, 12th February, 1996, 11th February, 1997, 13th February, 1998, 11th February, 1999, 21st February, 2000, 28th March, 2001, 28th March, 2002, 26th March, 2003 and 19th April, 2004 and by a resolution of an authorised committee of the Board of Directors of RBSG dated 19th April, 2004.

So long as the Notes are listed on the Luxembourg Stock Exchange there shall be a Paying Agent with a specified office located in Luxembourg.

In addition, the constitutional documents and the legal notice relating to the Notes (together, the “**Documents**”) have been deposited with the Registrar of Trade and Commerce in Luxembourg (the “**Chief Registrar**”) and copies of the Documents shall be obtainable at the offices of the Chief Registrar so long as the Notes are listed on the Luxembourg Stock Exchange. The Programme has been registered with the Luxembourg Stock Exchange under the number 9945.

Documents Available for Inspection or Collection

From the date hereof, so long as any of the Notes remains outstanding and throughout the life of the Programme, copies of the following documents will, when available, be available during usual business hours on a weekday (Saturdays, Sundays and public holidays excepted) for inspection from the registered office of each Issuer, from the specified office of the Paying Agent (except the documents listed in paragraphs (v) and (vi) below) (in respect of the documents listed in paragraphs (v) and (vi)) from the London office of Royal Bank for the time being in London, from the specified office of the Australian Registrar (except the documents specified in paragraphs (i), (ii), (iii) and (iv)) and (so long as any Notes are listed on the Luxembourg Stock Exchange) available for collection from the specified office of the Luxembourg Paying Agent free of charge:—

- (i) the constitutional documents of the Issuers;
- (ii) the consolidated audited financial statements of the Issuers in respect of the financial year ended 31st December, 2003 and the financial year ended 31st December, 2002;
- (iii) all future consolidated financial statements of the Issuers;
- (iv) the amended and restated Programme Agreement, the Tenth Supplemental Trust Deed (which contains the forms of the temporary and permanent global Notes, the definitive Notes, the Receipts, the Coupons and the Talons) and the amended and restated Agency Agreement;
- (v) the Deed Poll in respect of Australian Domestic Notes;
- (vi) the Registry Services Agreement in respect of Australian Domestic Notes;

- (vii) this Prospectus and any further Prospectuses; and
- (viii) any supplementary listing particulars and any Pricing Supplements in respect of Notes listed on any stock exchange and other documents incorporated herein by reference and, in the case of a syndicated Tranche of Notes listed on any stock exchange, the syndication agreement (or equivalent document).

Royal Bank does not publish financial statements other than on a consolidated basis, nor does it publish interim financial statements.

A Paying Agent will be maintained in London and Luxembourg throughout the life of the Programme.

Clearing Systems

The Notes (other than the Australian Domestic Notes) have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate codes for each Tranche allocated by Euroclear and Clearstream, Luxembourg will be contained in the relevant Pricing Supplement. If the Notes are to be cleared through an additional or alternative clearing system, the appropriate information will be contained in the relevant Pricing Supplement. Royal Bank will apply to Austraclear Limited (ABN 94 002 060 773) (“**Austraclear**”) for approval for each Series of Australian Domestic Notes to be traded on the settlement system operated by Austraclear (“**Austraclear System**”). Such approval by Austraclear is not a recommendation or endorsement by Austraclear of the Australian Domestic Notes.

If accepted for admission to the Austraclear System, interests in Australian Domestic Notes may be held through Euroclear or Clearstream, Luxembourg. In these circumstances, entitlements in respect of holdings of interests in the Australian Domestic Notes in Euroclear would be held in the Austraclear System by a nominee of Euroclear (currently Westpac Custodian Nominees Limited (ABN 18 002 861 565)) while entitlements in respect of holdings of interests in the Australian Domestic Notes in Clearstream, Luxembourg would be held in the Austraclear System by a nominee of Clearstream, Luxembourg (currently ANZ Nominees Limited (ABN 96 005 357 568)).

The rights of a holder of interests in Australian Domestic Notes held through Euroclear or Clearstream, Luxembourg are subject to the respective rules and regulations for accountholders of Euroclear and Clearstream, Luxembourg, the terms and conditions of agreements between Euroclear and Clearstream, Luxembourg and their respective nominee and the rules and regulations of the Austraclear System.

In addition, any transfer of interests in Australian Domestic Notes which is held through Euroclear or Clearstream, Luxembourg will, to the extent such transfer will be recorded on the Austraclear System, be subject to the Corporations Act 2001 of Australia and the requirements set out in Condition 1.

The relevant Issuer will not be responsible for the operation of the clearing arrangements which is a matter for the clearing institutions, their nominees, their participants and the investors.

Transactions will normally be effected for settlement not earlier than three business days after the date of transaction.

Significant or Material Change

Save as disclosed herein, there has been no significant change in the financial or trading position of the Issuers or the Issuers and their subsidiaries taken as a whole and no material adverse change in the financial position or prospects of the Issuers or the Issuers and their subsidiaries taken as a whole since 31st December, 2003, being the date of the latest audited published financial statements of the Issuers.

Litigation

In December 2003, members of the Group were 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, unqualified 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 unqualified nature of these claims, the directors of RBSG are unable at this stage to predict with certainty the eventual loss, if any, in these matters. The Group continues to co-operate with the appropriate authorities.

Members of the Group are engaged in other litigation in the United Kingdom 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 RBSG have reviewed the 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.

Neither the Issuers nor any of their 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 Issuers and their subsidiaries, taken as a whole, nor, so far as the Issuers are aware, are any such proceedings pending or threatened.

Auditors

The consolidated financial statements of RBSG and Royal Bank for the year ended 31st December, 2003 have been audited by Deloitte & Touche LLP, Chartered Accountants. The consolidated financial statements of RBSG and Royal Bank for the years ended 31st December, 2002 and 31st December, 2001 have been audited by Deloitte & Touche, Chartered Accountants.

The financial information contained in this Prospectus in relation to the Issuers do not constitute the Issuers' statutory accounts. Statutory accounts for the year ended 31st December, 2003, which have been approved by the Directors of each of the Issuers, have not yet been delivered to the Registrar of Companies in Scotland. Statutory accounts for the years ended 31st December, 2002 and 31st December, 2001 to which the financial information in this Prospectus relates, have been delivered to the Registrar of Companies in Scotland.

Deloitte & Touche LLP and Deloitte & Touche, respectively, have reported on such statutory accounts and such reports were unqualified and did not contain a statement under Section 237 of the Companies Act 1985.

The Trust Deed provides that the Trustee may rely on certificates from the Auditors in accordance with the provisions of the Trust Deed whether or not any such certificate or any engagement letter entered into by the Trustee and the Auditors in connection therewith contains any limit on liability (monetary or otherwise) of the Auditors. However, the Trustee will have no recourse to the Auditors in respect of such certificates or reports unless the Auditors have agreed to address such certificates or reports to the Trustee.

Banking Regulation

No redemption of the Dated Subordinated Notes and the Undated Subordinated Notes for taxation reasons and no redemption, cancellation or purchase of the Dated Subordinated Notes and Undated Subordinated Notes at the option of the relevant Issuer will be made without the consent of the Financial Services Authority.

Australian Regulatory Controls

Regulations in Australia restrict or prohibit payments, transactions and dealings with assets having a prescribed connection with certain countries or named individuals or entities subject to international sanctions or associated with terrorism.

THE ISSUERS

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The Royal Bank of Scotland Group plc
36 St Andrew Square
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EH2 2YB

Principal Office

The Royal Bank of Scotland Group plc
42 St Andrew Square
Edinburgh
EH2 2YE

Registered Office

The Royal Bank of Scotland plc
36 St Andrew Square
Edinburgh
EH2 2YB

Principal Office

The Royal Bank of Scotland plc
42 St Andrew Square
Edinburgh
EH2 2YE

THE TRUSTEE

The Law Debenture Trust Corporation p.l.c.

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London EC2V 7EX

AGENT

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AUSTRALIAN REGISTRAR

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*To Royal Bank
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and the Trustee
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Citigroup Centre
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Canary Wharf
London E14 5LB
Attention: MTN Desk

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133 Fleet Street
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Attention: Medium Term Note Desk

HSBC Bank plc
8 Canada Square
London E14 5HQ
Attention: Transaction Development

J.P. Morgan Securities Ltd.
125 London Wall
London EC2Y 5AJ
Attention: Euro Medium Term Note Desk

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Bracken House
One Friday Street
London EC4M 9JA
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Attention: MTN Desk

The Royal Bank of Scotland plc
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London EC2M 3UR
Attention: EMTN Desk

UBS Limited
1 Finsbury Avenue
London EC2M 2PP
Attention: MTNs and Private Placements

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