

## IMPORTANT NOTICE

### NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE U.S.

**IMPORTANT: You must read the following before continuing.** The following applies to the Prospectus following this page, and you are therefore required to read this carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

THE FOLLOWING PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THIS PROSPECTUS MAY ONLY BE DISTRIBUTED OUTSIDE THE UNITED STATES TO PERSONS THAT ARE NOT U.S. PERSONS AS DEFINED IN REGULATIONS UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”). ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY PREFERENCE SHARES IN ANY JURISDICTION. THE PREFERENCE SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS.

*Confirmation of your Representation:* In order to be eligible to view this Prospectus or make an investment decision with respect to the Preference Shares, you must be a person other than a U.S. person (within the meaning of Regulation S under the Securities Act) who is outside the United States. By accepting the email and accessing this Prospectus, you shall be deemed to have represented to us that you and any customers you represent are not a U.S. person; the email address that you have given to us and to which this email has been delivered is not located in the U.S., its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any State of the United States or the District of Columbia; and that you consent to delivery of such Prospectus by electronic transmission.

You are reminded that this Prospectus has been delivered to you on the basis that you are a person into whose possession this Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Prospectus to any other person.

Any materials relating to the potential offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the potential offering be made by a licensed broker or dealer and any Manager (as defined in this Prospectus) or any affiliate of any Manager is a licensed broker or dealer in that jurisdiction, any offering shall be deemed to be made by the Manager or such affiliate on behalf of the Company in such jurisdiction.

This Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Managers or any person who controls any such persons, or any of their respective directors, officers, employees, agents or affiliates, accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Managers.

# The Royal Bank of Scotland Group plc

(Incorporated in Scotland with limited liability under the Companies Acts 1948 to 1980, registered number SC045551)

## 26,000 Non-cumulative Euro Preference Shares of €0.01 each, Series 3

### Issue price: €50,000 per Series 3 Euro Preference Share

The Royal Bank of Scotland Group plc (the “**Company**”) is issuing 26,000 Non-cumulative Euro Preference Shares, Series 3 (the “**Preference Shares**”). Dividends on the Preference Shares will accrue from the date of issue, expected to be on or about 4 October 2007 (the “**Issue Date**”) and will be paid (subject as provided herein) in euros out of the Company’s distributable profits to the holders of record 15 days prior to the relevant date of payment.

In respect of the period from and including the Issue Date to but excluding 29 September 2017 (the “**First Redemption Date**”), dividends will accrue at a rate of 7.0916 per cent. per annum, payable annually in arrear on 30 September in each year, except that the first such payment will be made on 30 September 2008 (in respect of the period from and including the Issue Date to but excluding 30 September 2008) and the last such payment will be made on the First Redemption Date (in respect of the period from and including 30 September 2016 to but excluding the First Redemption Date) (each such payment date, an “**Annual Dividend Payment Date**”). The dividend payable on each Annual Dividend Payment Date will be €3,545.80 per Preference Share, save that the dividend payable on 30 September 2008 will be €3,507.05 per Preference Share and the dividend payable on the First Redemption Date will be €3,536.09 per Preference Share. From and including the First Redemption Date, dividends will accrue at a rate, reset quarterly, of 2.33 per cent. per annum above three month EURIBOR (as defined in “Description of the Preference Shares”) and will be payable quarterly in arrear on 31 March, 30 June, 30 September and 31 December of each year (each a “**Quarterly Dividend Payment Date**” and, together with each Annual Dividend Payment Date, each a “**Dividend Payment Date**”).

Provided that the United Kingdom (“**UK**”) Financial Services Authority does not object and subject to certain other conditions referred to herein, the Company may redeem the Preference Shares (i) in whole but not in part on the First Redemption Date or on any Quarterly Dividend Payment Date thereafter at a redemption price of €50,000 per Preference Share plus accrued dividends otherwise payable for the then current dividend period and (ii) in whole but not in part at any time during the period from and including 31 December 2012 to but excluding the First Redemption Date at a redemption price of €50,000 per Preference Share together with dividends accrued for the then-current period if a Capital Disqualification Event shall be deemed to have occurred. See “Description of the Preference Shares — Redemption”.

If the Company is liquidated, each holder of Preference Shares will be entitled to receive a liquidation preference of €50,000 per Preference Share plus accrued dividends for the then current dividend period, but only after the Company has paid all of its debts and other liabilities to its creditors and to holders of other securities that expressly are senior to the Preference Shares.

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the “**FSMA**”) (the “**UK Listing Authority**”) for all the Preference Shares 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 Preference Shares to be admitted to trading on the London Stock Exchange’s Gilt Edged and Fixed Interest Market (the “**Market**”). References in this Prospectus to the Preference Shares being “listed” (and all related references) shall mean that the Preference Shares have been admitted to the Official List and have been admitted to trading on the Market. The Market is a regulated market for the purposes of the Investment Services Directive 93/22/EEC.

**Investing in the Preference Shares involves certain risks. See “Risk Factors” beginning on page 13. Investors should note, without limitation, that the Preference Shares have no fixed date for repayment, being perpetual in nature.**

The Preference Shares will be in bearer form and will be represented by a single global certificate. It is expected that the Preference Shares will be delivered against payment through the facilities of Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”, together with Euroclear, the “**Clearing Systems**”) on or about the Issue Date.

The Preference Shares are expected, on issue, to be rated “Aa3” by Moody’s Investors Service, Inc. (“**Moody’s**”), “AA” by Fitch Ratings Limited (“**Fitch**”) and “A” by Standard & Poor’s Rating Services, a division of the McGraw-Hill Companies, Inc. (“**Standard & Poor’s**”). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

#### *Joint Lead Managers and Joint Bookrunners*

MERRILL LYNCH INTERNATIONAL

THE ROYAL BANK OF SCOTLAND

#### *Senior Co-Managers*

BNP PARIBAS

UBS INVESTMENT BANK

#### *Junior Co-Managers*

DANSKE BANK

DEXIA CAPITAL MARKETS

FORTIS BANK

SANTANDER

This document comprises a prospectus (the “**Prospectus**”) for the purposes of Directive 2003/71/EC (the “**Prospectus Directive**”) and for the purpose of giving information with regard to the Company, the Company and its subsidiaries taken as a whole (the “**Group**”) and the Preference Shares which, according to the particular nature of the Company and the Preference Shares, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Company.

The Company (whose registered office appears on the last page of this Prospectus) accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Company (which has 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.

Where information in this Prospectus has been sourced from third parties, this information has been accurately reproduced and as far as the Company is aware and is able to ascertain from the information published by such third parties no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Company or the Managers (as defined in “Subscription and Sale” below) to subscribe or purchase, any of the Preference Shares. The distribution of this Prospectus and the offering of the Preference Shares in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Company and the Managers to inform themselves about, and to observe, any such restrictions.

For a description of further restrictions on offers and sales of Preference Shares and distribution of this Prospectus, see “Subscription and Sale” below.

No person has been authorised to give any information or to make any representation other than as contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Company or the Managers. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Company since the date hereof or the date upon which this Prospectus has been most recently amended and supplemented or that the information contained in it or any other information supplied in connection with the Preference Shares is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Investors should satisfy themselves that they understand all the risks associated with making investments in the Preference Shares. If a prospective investor is in any doubt whatsoever as to the risks involved in investing in the Preference Shares, he or she should consult his or her professional advisers. See “Risk Factors” for further details of such risks.

Prospective investors should also inform themselves as to the legal requirements and tax consequences within the countries of their residence and domicile for the acquisition, holding or disposal of Preference Shares and any foreign exchange restrictions that might be relevant to them.

The Managers have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers or any of them as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Company in connection with the Preference Shares or their distribution.

The Preference Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) and may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. A further description of certain restrictions on the offering and sale of the Preference Shares and on the distribution of this Prospectus is given under “Subscription and Sale” below.

In connection with the issue of the Preference Shares, Merrill Lynch International (the “**Stabilising Manager**”) (or persons acting on behalf of the Stabilising Manager) may over-allot or effect transactions with a view to supporting the market price of the Preference Shares at a level higher than that which

might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the Preference Shares is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Preference Shares. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or persons acting on behalf of any Stabilising Manager) in accordance with all applicable laws and rules.

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## DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with:

- (i) the audited consolidated annual financial statements of the Company for the financial year ended 31 December 2005 together with the audit report thereon (as set out on pages 134 to 229 of the Company's Annual Report and Accounts 2005);
- (ii) the audited consolidated annual financial statements of the Company for the financial year ended 31 December 2006 together with the audit report thereon (as set out on pages 128 to 224 of the Company's Annual Report and Accounts 2006);
- (iii) the unaudited consolidated interim financial statements of the Company for the six months ended 30 June 2007 together with the review report thereon;
- (iv) Prospectus dated 20 July 2007 issued by the Company in connection with the proposed issue and admission to listing of up to 556,143,700 New Shares of the Company, as supplemented by a Supplementary Prospectus dated 14 August 2007 (together the "**New Shares Prospectus**"); and
- (v) Circular to Shareholders of the Company dated 20 July 2007 (the "**Circular to Shareholders**"),

each of which have been previously published and which have been approved by the Financial Services Authority or filed with it. Such documents shall be incorporated in, and form part of this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

The information incorporated by reference in the New Shares Prospectus and the Circular to Shareholders is not incorporated by reference in this Prospectus, except to the extent that the same information is incorporated by reference as separately described above.

Copies of all documents incorporated by reference in the Prospectus can be obtained from the website of the Company at [www.rbs.com](http://www.rbs.com) and from the London Stock Exchange's website at [www.londonstockexchange.com/en-gb/pricenews/marketnews/](http://www.londonstockexchange.com/en-gb/pricenews/marketnews/).

## OVERVIEW

*This overview must be read as an introduction to this Prospectus and any decision to invest in the Preference Shares should be based on a consideration of this Prospectus as a whole, including the documents incorporated by reference.*

### The Group

The Royal Bank of Scotland Group plc (“**RBSG**” and, together with its subsidiaries, the “**Group**”) had a market capitalisation of £59.9 billion as at 30 June 2007. The purpose of the Group is to carry on the business of banking in all its aspects, including (but without limitation) the transaction of all financial, monetary and other businesses. Headquartered in Edinburgh, the Group operates in the UK, the US and internationally. The Group’s operations are conducted principally through The Royal Bank of Scotland plc (“**RBS**”) and its subsidiaries (including National Westminster Bank Plc (“**NatWest**”)) other than the general insurance business (which is primarily conducted through Direct Line Group and Churchill Insurance). Both RBS and NatWest are UK clearing banks whose origins go back over 275 years. In the US, the Group’s subsidiary Citizens Financial Group Inc. is a commercial banking organisation. The Group has a diversified customer base and provides a range of products and services to personal, commercial and large corporate and institutional customers.

The Group had total assets of £1,011.3 billion and shareholders’ equity of £41.5 billion at 30 June 2007. The Group had a total capital ratio of 12.5 per cent. and a tier 1 capital ratio of 7.4 per cent. as at 30 June 2007.

### The Issue

Company	The Royal Bank of Scotland Group plc.
Issue size	26,000 Non-cumulative Euro Preference Shares, Series 3, with a nominal value of €0.01 each and a liquidation preference of €50,000 each (the “ <b>Preference Shares</b> ”).
Issue price	€50,000 per Preference Share, payable only in cash.
Use of proceeds	The net proceeds of the offering are estimated to be approximately €1,286.5 million after payment of commissions and expenses. The net proceeds are expected to be used to fund in part the cash portion of the offer for ABN AMRO Holding N.V. (“ <b>ABN AMRO</b> ”) which is attributable to the Company, to strengthen the Group’s capital base and for general corporate purposes. See “Use of Proceeds”.
Dividends	<p>Dividends on the Preference Shares will accrue from the date of issue, expected to be on or about 4 October 2007 (the “<b>Issue Date</b>”) and will be paid (subject as provided herein) in pounds sterling out of the Company’s distributable profits to the holders of record 15 days prior to the relevant date of payment.</p> <p>From and including the Issue Date to but excluding 29 September 2017 (the “<b>First Redemption Date</b>”), dividends will accrue at a rate of 7.0916 per cent. per annum, payable annually in arrear on 30 September in each year, except that the first such payment will be made on 30 September 2008 (in respect of the period from and including the Issue Date to but excluding 30 September 2008) and the last such payment will be made on the First Redemption Date (in respect of the period from and including 30 September 2016 to but excluding the First Redemption Date) (each such payment date, an “<b>Annual Dividend Payment Date</b>”). The dividend payable on each Annual Dividend Payment Date will be €3,545.80 per Preference Share, save that the dividend payable on 30 September 2008 will be €3,507.05 per Preference Share and the dividend</p>

payable on the First Redemption Date will be €3,536.09 per Preference Share.

From and including the First Redemption Date, dividends will accrue at a rate, reset quarterly, of 2.33 per cent. per annum above three month EURIBOR and will be payable quarterly in arrear on 31 March, 30 June, 30 September and 31 December of each year, commencing on 31 December 2017 (each a “**Quarterly Dividend Payment Date**” and, together with each Annual Dividend Payment Date, each a “**Dividend Payment Date**”).

Any dividends payable will be paid to The Bank of New York as common depository (“**Common Depository**”) for Euroclear and Clearstream, Luxembourg for the benefit of holders through Euroclear and Clearstream, Luxembourg. Payments of less than €0.01 will be rounded upwards.

The effective yield per Preference Share is 7.092 per cent. per annum and applies in respect of the period until the First Redemption Date only. The yield is calculated as at the Issue Date on the basis of the issue price. It is not an indication of future yield.

The Company’s obligation to pay dividends is subject to (i) the sole and absolute discretion of the board of directors of the Company (the “**Board of Directors**”) or an authorised committee thereof (the “**Committee**”) and/or (ii) the requirements of applicable law, sufficiency of distributable profits and payment of dividends not causing a breach of the UK Financial Services Authority’s capital adequacy provisions.

The Preference Shares will rank junior as to dividends to the Company’s Cumulative Preference Shares and equally as to dividends with the Company’s other non-cumulative preference shares. See “Description of the Preference Shares — Payment of Dividends”.

#### Restrictions following non-payment of dividends

If dividends are not paid on the Preference Shares as a consequence of the exercise by the Directors or the Committee of their discretion not to pay the relevant dividend, or as a result of insufficiency of distributable funds or restrictions imposed by capital adequacy requirements, then the right of the holders of the Preference Shares to receive a dividend from the Company will be lost. In such a case, the Company may not:

- (i) declare or pay dividends or other distributions upon any Parity Securities (other than, in the case only of non-payment as a consequence of the exercise by the Directors or the Committee of their discretion not to pay the relevant dividend, any Mandatory Securities) or Junior Securities, and the Company may not set aside any sum for the payment of these dividends or distributions, unless, on the date of declaration of any such dividends or distributions, the Company sets aside an amount equal to the dividend for the then-current dividend period payable on the Preference Shares to provide for the payment in full of such dividend on the Preference Shares on the next Dividend Payment Date; or
- (ii) redeem, purchase or otherwise acquire for any consideration any of its Parity Securities or Junior Securities, and the Company may not set aside any sum or establish any



sinking fund for the redemption, purchase or other acquisition of such Parity Securities or Junior Securities, until such time as dividends on the Preference Shares in respect of successive dividend periods singly or together aggregating no less than 12 months shall thereafter have been declared and paid in full.

See “Description of the Preference Shares — Payment of Dividends” for a description of the terms referred to above.

#### Rights upon liquidation

If the Company is wound up or liquidated, holders of the Preference Shares will be entitled to receive €50,000 per Preference Share, payable by the Company out of surplus assets available for distribution to its shareholders.

The Preference Shares have liquidation rights which rank junior to the Company’s Cumulative Preference Shares but equally with the Company’s other non-cumulative preference shares as to entitlement to dividends due for payment after the date of commencement of liquidation and any other dividend payable in respect of the period from the preceding dividend payment date to the date of payment.

Subject to the foregoing, the Preference Shares rank equally with the Company’s Cumulative Preference Shares, as regards entitlement to a sum equal to the amount paid up or credited as paid up on the Preference Shares. See “Description of the Preference Shares — Rights Upon Liquidation”.

#### Optional redemption

Provided that the UK Financial Services Authority does not object and subject to certain other conditions referred to herein, the Company may redeem the Preference Shares, at its option, (i) in whole but not in part on the First Redemption Date or on any Quarterly Dividend Payment Date thereafter, provided that the Company gives at least 30 days’ but not more than 60 days’ notice, and (ii) in whole but not in part at any time during the period from and including 31 December 2012 to but excluding the First Redemption Date if a Capital Disqualification Event shall be deemed to have occurred. If the Company were to exercise either such option, it would redeem each Preference Share at a redemption price of €50,000 plus the dividends accrued and payable for the then-current dividend period. See “Description of the Preference Shares — Redemption”.

**Investors should note that holders of the Preference Shares shall not have the option to redeem the Preference Shares in any circumstances.**

#### Substitution

Subject to the Company’s Articles of Association, the provisions of the Companies Act 1985 (as amended), all other laws and regulations applying to the Company and to the prior consent of the Financial Services Authority, and provided that the Company gives at least 30 days’ but not more than 60 days’ notice and subject to certain other conditions referred to herein, the Company may substitute the Preference Shares, in whole but not in part with Qualifying Non-Innovative Tier 1 Securities, at any time (the “**Substitution Date**”) without any requirement for consent or approval of the holders of the Preference Shares, provided that the Substitution Date shall not fall prior to 31 December 2012.

#### Voting rights

Holders of Preference Shares will only be entitled to vote at general meetings of the Company’s shareholders in certain

limited circumstances, including (1) where the rights of holders of the Preference Shares may be varied or abrogated, (2) where a resolution has been proposed for a winding-up or liquidation of the Company and (3) where the Company has failed to pay in full the dividend on the Preference Shares for the most recent dividend period. See “Description of the Preference Shares — Voting Rights”.

Form of the Preference Shares

The Preference Shares will be represented by a share warrant to bearer and will be in the form of a single global certificate (the “**Global Certificate**”), which will be deposited with the Common Depositary. Beneficial interests in the Global Certificate will be evidenced by, and transfers thereof will be effected only through, records maintained by the participants in Euroclear and Clearstream, Luxembourg.

If either or both of Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays), or announces an intention permanently to cease business, each holder of a beneficial interest in the Global Certificate shall have transferred to it a number of Preference Shares corresponding to its book-entry interest in the Preference Shares represented by the Global Certificate, in the form of share warrants to bearer within 30 days of such closure or announcement. Definitive share certificates will not be available to holders of Preference Shares unless share warrants to bearer are presented to the Company’s registrar at its office in the UK for exchange — see “Description of the Preference Shares — Form and Denomination”. Transfers, or agreements to transfer, Preference Shares in registered form will be subject to UK stamp duty or stamp duty reserve tax — see “United Kingdom Taxation”.

Rating

The Preference Shares are expected, on issue, to be rated “Aa3” by Moody’s, “AA” by Fitch and “A” by Standard & Poor’s. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Listing

Application has been made to the UK Listing Authority for admission to listing of the Preference Shares on the Official List and to the London Stock Exchange plc (the “**London Stock Exchange**”) for the Preference Shares to be admitted to trading on the Gilt Edged and Fixed Interest Market of the London Stock Exchange. It is expected that admission to listing will become effective and dealings are expected to commence on the Issue Date, subject only to the issue of the Global Certificate.

Settlement

The Preference Shares will be cleared through Euroclear and Clearstream, Luxembourg. Preference Shares deposited with the Common Depositary for Euroclear and Clearstream, Luxembourg and credited to the respective securities accounts of purchasers in Euroclear or Clearstream, Luxembourg against payment to Euroclear or Clearstream, Luxembourg will be held in accordance with the terms and conditions governing use of Euroclear and Clearstream, Luxembourg, the operating procedures of the Euroclear system, as amended from time to time, and the management regulations of Clearstream, Luxembourg and the instructions to participants of Clearstream, Luxembourg, as amended from time to time, as applicable.

Cash dividends received in respect of the Preference Shares that are deposited with the Common Depository for Euroclear and Clearstream, Luxembourg will be credited to the cash accounts maintained at Euroclear and Clearstream, Luxembourg on behalf of the investors having accounts at Euroclear and Clearstream, Luxembourg, as the case may be, after deduction for applicable withholding taxes (if any), in accordance with the applicable regulations and procedures of Euroclear and Clearstream, Luxembourg.

Each of Euroclear and Clearstream, Luxembourg may, at its discretion, take such action as it shall deem appropriate in order to assist investors having accounts at Euroclear or Clearstream, Luxembourg in the exercise of voting rights in respect of the Preference Shares. Such actions may include (i) acceptance of instructions from investors having accounts at Euroclear or Clearstream, Luxembourg to execute, or to arrange for the execution of, proxies, powers of attorney or other similar certificates for delivery to the Company or its agent; or (ii) voting of such Preference Shares by Euroclear or its nominees and Clearstream, Luxembourg or its nominees in accordance with the instructions of investors having accounts at Euroclear or Clearstream, Luxembourg, respectively.

Governing law

The creation and issuance of the Preference Shares and the rights attached to them will be governed by, and construed in accordance with, the laws of Scotland.

Risk Factors

There are certain factors which may affect the Company's ability to fulfil its obligations under the Preference Shares. These include:

- (i) risk factors relating to the Group's business, including:
- the Group's business and earnings are affected by general business and geopolitical conditions;
  - the financial performance of the Group is affected by borrower credit quality;
  - changes in interest rates, foreign exchange rates, equity prices and other market factors affect the Group's business;
  - the Group's insurance businesses are subject to inherent risks involving claims;
  - operational risks are inherent in the Group's businesses;
  - each of the Group's businesses is subject to substantial regulation and regulatory oversight. Any significant regulatory developments could have an effect on how the Group conducts its business and on the results of operations;
  - future growth in the Group's earnings and shareholder value depends on strategic decisions regarding organic growth and potential acquisitions;
  - the risk of litigation is inherent in the Group's operations;
  - the Group is exposed to the risk of changes in tax legislation and its interpretation and to increases in the

rate of corporate and other taxes in the jurisdictions in which it operates; and

- Governmental policy and regulation may have an adverse effect on the Group's results;

(ii) risks relating to the proposed acquisition of ABN AMRO, including:

- the consummation of the Offer is subject to the satisfaction or waiver of certain Offer conditions, all of which, except for the minimum acceptance condition and the government and regulatory approvals conditions, must be either satisfied or waived prior to the expiration of the Offer period. There can be no assurance that the Offer conditions will be satisfied or waived and that the Company will complete the acquisition of the ABN AMRO Businesses;
- obtaining required regulatory approvals may delay completion of the Transaction, and compliance with conditions and obligations imposed in connection with regulatory approvals could adversely affect the Company's businesses and the businesses of ABN AMRO;
- the information relating to ABN AMRO contained in this Prospectus is derived from publicly available information which the Company has been unable independently to verify;
- uncertainties about the effects of the Offer and any competing offers could materially and adversely affect the business and operations of ABN AMRO;
- the Company may fail to realise the business growth opportunities, revenue benefits, cost savings and other benefits anticipated from, or may incur unanticipated costs associated with, the Transaction and the Company's results of operations, financial condition and the price of the Company's securities may suffer;
- the complex nature of the reorganisation plan and the level of cooperation required among the Consortium Banks could have adverse consequences for the Transaction and the Company's ability to realise benefits therefrom;
- the Consortium Banks may become subject to unknown liabilities of ABN AMRO, which may have an adverse effect on the Company's financial condition and results of operations;
- consummation of the Offer may result in adverse tax consequences resulting from a change of ownership of ABN AMRO; and
- change of control provisions in ABN AMRO's agreements may be triggered upon the completion of the Offer, upon RFS Holdings' acquisition of ABN AMRO or upon the completion of the reorganisation and may lead to adverse consequences for the Company, including the loss of significant contractual rights and benefits, the termination of joint venture and/or licensing agreements

or the requirement to repay outstanding indebtedness;  
and

(iii) risk factors relating to the Preference Shares, including:

- dividends are discretionary and may not be paid in full if the Board of Directors resolves not to pay dividends in respect of any Dividend Payment Date;
- dividends are non-cumulative and will not be declared and paid in full if certain requirements relating to the Company's capital levels and other conditions are not satisfied. If the Company's financial condition were to deteriorate, investors could lose all or a part of their investment;
- the Preference Shares have no fixed date for repayment, being perpetual in nature;
- the Preference Shares are subject to optional repayment by the Company;
- the Company may substitute the Preference Shares in whole, but not in part, with Qualifying Non-Innovative Tier 1 Securities, at any time without any requirement for consent or approval of the holders of the Preference Shares;
- there is no limitation on the Company issuing senior or *pari passu* securities;
- holders of Preference Shares have limited voting rights;
- the rights attached to the Preference Shares may be varied with the consent of less than 100 per cent. of the holders thereof;
- subsequent changes in market interest rates may adversely affect the value of the Preference Shares;
- legal investment considerations may restrict certain investments;
- an active market for the Preference Shares may fail to develop or may not be sustainable; and
- credit ratings may not reflect all risks associated with an investment in the Preference Shares.

See "The ABN AMRO Offer" for the definitions of certain capitalised terms used under (ii) above.

## RISK FACTORS

*The Company believes that the following factors may affect its ability to fulfil its obligations under the Preference Shares. All of these factors are contingencies which may or may not occur and the Company is not in a position to express a view on the likelihood of any such contingency occurring. Factors which the Company believes may be material for the purpose of assessing the market risks associated with the Preference Shares are also described below.*

*The Company believes that the factors described below represent the principal risks inherent in investing in the Preference Shares, but the inability of the Company to pay dividends or the liquidation preference on the Preference Shares may occur for other reasons and the Company does not represent that the statements below regarding the risks of holding the Preference Shares are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including the documents incorporated by reference herein, in particular the Risk Factors included in the New Shares Prospectus for certain risks relating to the proposed acquisition of ABN AMRO Holding N.V.) and reach their own views prior to making any investment decision.*

### **Risks Related to the Group's Business**

*Set out below are certain risk factors which could affect the Group's future results and cause them to be materially different from expected results. The Group's results could also be affected by competition and other factors. Although the following sets out all the material risk factors which may affect the Group's results and of which the Company is aware, the factors discussed below may not be a complete and comprehensive statement of all potential risks and uncertainties the Group's businesses face. Investors should note that they bear the risk of insolvency of the Company.*

#### ***The Group's business and earnings are affected by general business and geopolitical conditions.***

The performance of the Group is influenced by economic conditions particularly in the UK, US and Europe. Downturns in these economies could result in a general reduction in business activity and a consequent loss of income for the Group. It could also cause a higher incidence of credit losses and losses in the Group's trading portfolios. Geopolitical conditions can also affect the Group's earnings. Terrorist acts and threats and the response of governments in the UK, US and elsewhere to them could affect the level of economic activity. The Group's business is also exposed to the risk of business interruption and economic slowdown following the outbreak of a pandemic.

#### ***The financial performance of the Group is affected by borrower credit quality.***

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

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

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

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

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

***Operational risks are inherent in the Group's businesses.***

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

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

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

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

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

***The risk of litigation is inherent in the Group's operations.***

In the ordinary course of the Group's business, legal actions, claims against and by the Group and arbitrations arise; the outcome of such legal proceedings could affect the financial performance of the Group. See "General Information — Litigation".

***The Group is exposed to the risk of changes in tax legislation and its interpretation and to increases in the rate of corporate and other taxes in the jurisdiction in which it operates.***

The Group's activities are subject to tax at various rates around the world computed in accordance with local legislation and practice. Action by governments to increase tax rates or to impose additional taxes would reduce the profitability of the Group. Revisions to tax legislation or to its interpretation might also affect the Group's results in the future.

***Governmental policy and regulation may have an adverse effect on the Group's results.***

The Group's businesses and earnings can be affected by the fiscal or other policies and other actions of various governmental and regulatory authorities in the United Kingdom, the European Union, the United States and elsewhere.

There is continuing political and regulatory scrutiny of the operation of the retail banking and consumer credit industries in the United Kingdom and elsewhere. The nature and impact of future changes in policies and regulatory action are not predictable and are beyond the Group's control but could have an adverse impact on the Group's businesses and earnings.

In the European Union, these regulatory actions included an inquiry into retail banking in all of the then 25 member states by the European Commission's Directorate General for Competition. The inquiry examined retail banking in Europe generally. On 31 January 2007, the European Commission announced that barriers to competition in certain areas of retail banking, payment cards and payment systems in the European Union had been identified. The European Commission indicated that it will use its powers to address these barriers and will encourage national competition authorities to enforce European and national competition laws where appropriate. Any action taken by the European Commission and national competition authorities could have an adverse impact on the Group's payment cards and payment systems businesses and on the Group's retail banking activities in the European Union countries in which the Group operates.

In the United Kingdom, in September 2005, the Office of Fair Trading (the "OFT"), received a super-complaint from the Citizens Advice Bureau relating to payment protection insurance ("PPI"). As a result, the OFT commenced a market study on PPI in April 2006. In October 2006, the OFT announced the outcome of the market study and, on 7 February 2007, following a period of consultation, the OFT referred the PPI market to the UK Competition Commission for an in-depth inquiry. This inquiry could continue for up to two years. Also, in October 2006, the UK Financial Services Authority (the "FSA") published the outcome of its broad industry thematic review of PPI sales practices in which it concluded that some institutions fail to treat customers fairly.

In April 2006, the OFT commenced a review of the undertakings given following the conclusion of the Competition Commission Inquiry in 2002 into the supply of banking services to small and medium enterprises ("SMEs").

The OFT has carried out investigations into Visa and MasterCard credit card interchange rates. The decision by the OFT in the MasterCard interchange case was set aside by the Competition Appeals Tribunal in June 2006. The OFT's investigations in the Visa interchange case and a second MasterCard interchange case are ongoing. The outcome is not known, but these investigations may have an impact on the consumer credit industry in general and, therefore on the Group's business in this sector. On 9 February 2007, the OFT announced that it was expanding its investigation into interchange rates to include debit cards.

On 7 September 2006, the OFT announced that it had decided to undertake an investigation of the application of its statement on credit card fees to current account unauthorised overdraft fees. The investigation was completed in March 2007. On 29 March 2007, the OFT announced its decision to conduct a formal in-depth investigation into the fairness of bank current account charges. On 26 April 2007, the OFT announced a formal market study into personal current accounts in the United Kingdom. The study will focus on the impact of free-if-in-credit current accounts on competition and whether they deliver value to consumers. The OFT expects to complete the market study by the end of 2007. In common with other banks in the United Kingdom, RBS has received claims from customers in respect of current account administrative charges. The financial performance of RBS could be adversely affected if, by legal process or regulatory action, such charges are determined to be, in whole or in part, penalties or unfair.

On 26 January 2007, the FSA issued a Statement of Good Practice relating to Mortgage Exit Administration Fees. On 1 March 2007, the Group adopted a policy of charging all customers the fee applicable at the time the customers took out the mortgage. In addition, any customers who had previously been charged a higher fee than was applicable at the time they took out the mortgage and who complained were refunded the difference in fees. This approach was one of the options recommended by the FSA.

On 26 April 2007, the Office of Rail Regulation referred the leasing of rolling stock for franchised passenger services and the supply of related maintenance services in Great Britain to the UK Competition Commission for an inquiry lasting up to two years. The Group includes the Angel Trains group, a rolling stock leasing business operating in this market.

On 15 May 2007, the Competition Commission published its final report into the supply of personal current account banking services in Northern Ireland. It is anticipated that a statutory instrument implementing the remedies set out in the report will be made in October 2007. The Group includes Ulster Bank, which is active in the Northern Ireland current account market.



Other areas where changes could have an adverse impact include:

- (a) the monetary, interest rate and other policies of central banks and regulatory authorities;
- (b) general changes in government or regulatory policy or changes in regulatory regimes that may significantly influence investor decisions in particular markets in which the Group operates or may increase the costs of doing business in those markets;
- (c) other general changes in the regulatory requirements, such as prudential rules relating to the capital adequacy framework;
- (d) changes in competition and pricing environments;
- (e) further developments in the financial reporting environment;
- (f) expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; and
- (g) other unfavourable political, military or diplomatic developments producing social instability or legal uncertainty which, in turn, may affect demand for the Group's products and services.

### **Risks Related to the Proposed Acquisition of ABN AMRO Holding N.V.**

See "The ABN AMRO Offer" for the definitions of certain capitalised terms used below.

*The consummation of the Offer is subject to the satisfaction or waiver of certain Offer conditions, all of which, except for the minimum acceptance condition and the government and regulatory approvals conditions, must be either satisfied or waived prior to the expiration of the Offer period. There can be no assurance that the Offer conditions will be satisfied or waived and that the Company will complete the acquisition of the ABN AMRO Businesses.*

The consummation of the Offer is subject to the satisfaction or waiver of certain Offer conditions, all of which, except for the minimum acceptance condition and the government and regulatory approvals conditions, must be either satisfied or waived prior to the expiration of the Offer period (as such Offer period may be extended in accordance with applicable law and regulation). These conditions include (i) the minimum acceptance of the Offer by the holders of at least 80 per cent. of the ABN AMRO ordinary shares, calculated on a fully diluted basis, (ii) the completion of the sale of LaSalle Bank Corporation ("LaSalle") and the retention of the proceeds therefrom within the ABN AMRO Group, (iii) the absence of a material adverse change in respect of the business, cash flow, financial or trading position, assets, profits, operational performance, capitalisation, prospects or activities of either the ABN AMRO Group, RFS Holdings or any of the Consortium Banks, (iv) the absence of a material adverse change in national or international capital markets, financial, political or economic conditions or currency exchange rates or exchange controls, (v) the absence of material litigation or other proceedings, (vi) the absence of injunctions or other restrictions on the consummation of the Offer, (vii) the granting of all necessary regulatory approvals and (viii) the declaration by the European Commission that the concentrations resulting from the Transaction are compatible with the competition and antitrust rules of the common market (each offer condition, an "Offer Condition" and, collectively, the "Offer Conditions"). There can be no assurance that any or all of the Offer Conditions will be satisfied or waived. In addition, the Offer is subject to a competing offer by Barclays plc ("Barclays"). There can be no assurance that the Offer will be consummated and the acquisition of the ABN AMRO Businesses will be completed.

*Obtaining required regulatory approvals may delay completion of the Transaction, and compliance with conditions and obligations imposed in connection with regulatory approvals could adversely affect the Company's businesses and the businesses of ABN AMRO.*

The Transaction will require various approvals or consents from, among others, the Dutch Minister of Finance (*Minister van Financiën*) and the Dutch Central Bank, as the case may be, the Financial Services Authority, the Bank of Spain, the European Commission and various other antitrust authorities outside the European Union, other bank regulatory, securities, insurance and other regulatory authorities worldwide. RFS Holdings and the Consortium Banks have made all the necessary filings for the approval of the change of control of ABN AMRO with their home regulators, in so far as these are required, and have made substantially all other applications for regulatory change of control approval. Approval has been requested from, amongst others, the FSA, the Dutch Minister of Finance (*Minister van Financiën*), the

Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*), and the Belgian Banking, Finance and Insurance Commission (*Commission Bancaire, Financière et des Assurances*). In a number of jurisdictions, including the Netherlands and the UK, such approvals have already been granted. Other than approvals by competition and anti-trust authorities, obtaining regulatory approval for the reorganisation (as opposed to the acquisition) of ABN AMRO is not a condition to the Offer.

Accordingly, formal consent from bank regulators for the subsequent proposed restructuring has not yet been applied for in most jurisdictions where regulatory consent is required. The governmental entities from which these approvals are required, including the Dutch Central Bank, the Financial Services Authority, the Bank of Spain, the European Commission and others, may refuse to grant such approval, or, may impose conditions on, or require divestitures or other changes in connection with, the completion of the Transaction. These conditions or changes could have the effect of delaying completion of the Transaction, reducing the anticipated benefits of the Transaction or imposing additional costs on the Company or limiting its revenues following completion of the Transaction, any of which might have a material adverse effect on the Company's business, results of operations, financial condition or prospects after completion of the Transaction. In order to obtain these regulatory approvals, the Consortium Banks may have to divest, or commit to divesting, certain of the businesses of ABN AMRO and/or the Consortium Banks to third parties. In addition, the Company may be required to make other commitments to regulatory authorities. These divestitures and other commitments, if any, may have an adverse effect on the Company's business, results of operations, financial condition or prospects after the completion of the Transaction.

Following completion of the Offer and insofar as not already obtained, regulatory approvals for the reorganisation of the ABN AMRO Group will be sought from the relevant regulators once the Consortium Banks have obtained the necessary information to be able to prepare and complete the approval applications. While the Consortium Banks will be aiming to obtain these regulatory approvals as soon as practicable following completion of the Offer, the period from completion of the Offer to receipt of such approvals for the reorganisation will be largely dependent on the time required to obtain the necessary information to submit the applications for approval, the duration of the relevant regulatory review process and effects of any conditions imposed on the reorganisation by any regulator. There could therefore be a delay in completing the reorganisation, reducing the anticipated benefits of the Transaction or imposing additional costs on the Company or limiting the Company's revenues following completion of the Transaction, any of which might have a material adverse effect on the Company's business, results of operations, financial condition or prospects after completion of the Transaction.

Certain jurisdictions claim jurisdiction under their competition or antitrust laws in respect of acquisitions or mergers that have the potential to affect their domestic marketplace. A number of these jurisdictions may claim to have jurisdiction to review the Transaction. Such investigations or proceedings may be initiated and, if initiated, may have an adverse effect on the Company's business, results of operations, financial condition or prospects after the completion of the Transaction.

***The information relating to ABN AMRO contained in this Prospectus is derived from publicly available information which the Company has been unable independently to verify.***

The information about ABN AMRO included in this Prospectus is derived from information made publicly available by ABN AMRO, including periodic and other reports which ABN AMRO has filed with or furnished to the US Securities and Exchange Commission (the "SEC"). While the Company has no knowledge that would indicate that any statements included in this Prospectus based upon information contained in such reports filed with or furnished to the SEC are inaccurate, incomplete or untrue, the Company was not involved in the preparation of such reports and, therefore, the Company cannot verify the accuracy, completeness or truth of the information obtained from such reports or any failure by ABN AMRO to disclose events that may have occurred, but that are unknown to the Company, that may affect the significance or accuracy of the information contained in such reports. Any financial information regarding ABN AMRO that may be detrimental to the Company (including, after the completion of the Transaction, the ABN AMRO Businesses) and that has not been publicly disclosed by ABN AMRO, or errors in the Consortium Banks' estimates due to the lack of cooperation from ABN AMRO, may have an adverse effect on the benefits which the Company expects to achieve in the Transaction.

***The uncertainties about the effects of the Offer and any competing offers could materially and adversely affect the business and operations of ABN AMRO.***

Uncertainty about the effects of the Offer and any competing offers on employees, partners, regulators and customers may materially and adversely affect the business and operations of ABN AMRO. These

uncertainties could cause customers, business partners and other parties that have business relationships with ABN AMRO to defer the consummation of other transactions or other decisions concerning ABN AMRO's business, or to seek to change existing business relationships with ABN AMRO. In addition, employee retention at ABN AMRO may be challenging until the Offer is completed.

***The Company may fail to realise the business growth opportunities, revenue benefits, cost savings and other benefits anticipated from, or may incur unanticipated costs associated with, the Transaction and the Company's results of operations, financial condition and the price of the Company's securities may suffer.***

There is no assurance that the Company's acquisition of the ABN AMRO Businesses will achieve the business growth opportunities, revenue benefits, cost savings and other benefits which the Company anticipates. The Company believes the Offer consideration is justified in part by the business growth opportunities, revenue benefits, cost savings and other benefits which the Company expects to achieve by combining its operations with the ABN AMRO Businesses. However, these expected business growth opportunities, revenue benefits, cost savings and other benefits may not develop and other assumptions upon which the Consortium Banks determined the Offer consideration may prove to be incorrect, as, among other things, such assumptions were based on publicly available information.

In particular, the reorganisation plan currently contemplated may have to be modified as a result of employee consultations and approvals, which may delay its implementation. The Company may also face challenges with the following: obtaining the required approvals of various regulatory agencies, any of which could refuse or impose conditions or restrictions on its approval; retaining key employees; redeploying resources in different areas of operations to improve efficiency; minimising the diversion of management attention from ongoing business concerns; and addressing possible differences between the Company's business culture, processes, controls, procedures and systems and those of the ABN AMRO Businesses that the Company will acquire. In addition, because the Consortium Banks have had access only to publicly available information regarding ABN AMRO's tax situation and structure, unanticipated substantial tax costs may be incurred in the implementation of the reorganisation plan.

***The complex nature of the reorganisation plan and the level of cooperation required among the Consortium Banks could have adverse consequences for the Transaction and the Company's ability to realise benefits therefrom.***

Although the Consortium and Shareholders' Agreement provides a mechanism for assets to be re-allocated or transferred between the Consortium Banks where it is established that any asset is held by or will be held by the wrong Consortium Bank, disputes may otherwise arise in implementing the Consortium and Shareholders' Agreement. Such disputes would be resolved in accordance with the dispute resolution processes set out in the Consortium and Shareholders' Agreement. While these processes have been designed to resolve any disagreements swiftly, such disputes could result in delay to implementation of the reorganisation.

Under any of these circumstances, the business growth opportunities, revenue benefits, cost savings and other benefits anticipated by the Company to result from the reorganisation may not be achieved as expected, or at all, or may be delayed. To the extent that the Company incurs higher integration costs or achieves lower revenue benefits or fewer cost savings than expected, the Company's results of operations, financial condition and the price of its securities may suffer.

***The Consortium Banks may become subject to unknown liabilities of ABN AMRO, which may have an adverse effect on the Company's financial condition and results of operations.***

In making the Offer and determining its terms and conditions, the Consortium Banks used publicly available information relating to ABN AMRO, including periodic and other reports for ABN AMRO, filed with or furnished to the SEC. This information has not been subject to comment or verification by ABN AMRO, the Consortium Banks or their respective directors. In addition, the Consortium Banks were able to carry out only a limited due diligence exercise in respect of the Business of ABN AMRO. As a result, after the completion of the Offer, the Company may be subject to unknown liabilities of ABN AMRO, which may have an adverse effect on the Company's financial condition and results of operations.

***Consummation of the Offer may result in adverse tax consequences resulting from a change of ownership of ABN AMRO.***

The Consortium Banks have had access only to publicly available information concerning ABN AMRO's tax situation. It is possible that the consummation of the Offer may result in adverse tax consequences arising from a change of ownership of ABN AMRO and its subsidiaries. The tax consequences of a change of ownership of a corporation can lead to an inability to carry-over certain tax relief and other tax benefits, including, but not limited to, tax losses and tax credits. Moreover, a change of ownership may result in other tax costs not normally associated with the ordinary course of business. Such other tax costs include, but are not limited to, stamp duties, land transfer taxes, franchise taxes and other levies. In addition, consummation of the Offer will result in the Company becoming, through RFS Holdings, the holding company of ABN AMRO and certain of its subsidiaries. There are differences between the UK and Dutch tax regimes for holding companies. These differences could result in additional tax being paid in the United Kingdom in respect of the profits of the relevant businesses of ABN AMRO as a result of their acquisition by a UK resident company.

***Change of control provisions in ABN AMRO's agreements may be triggered upon the completion of the Offer, upon RFS Holdings' acquisition of ABN AMRO or upon the completion of the reorganisation and may lead to adverse consequences for the Company, including the loss of significant contractual rights and benefits, the termination of joint venture and/or licensing agreements or the requirement to repay outstanding indebtedness.***

ABN AMRO may be a party to joint ventures, licenses and other agreements and instruments that contain change of control provisions that will be triggered upon the completion of the Offer, upon RFS Holdings' acquisition of ABN AMRO or upon completion of the reorganisation of ABN AMRO as part of the Transaction. ABN AMRO has not provided the Consortium Banks with copies of any of the agreements to which it is party, and these agreements are not generally publicly available. Agreements with change of control provisions typically provide for or permit the termination of the agreement upon the occurrence of a change of control of one of the parties or, in the case of debt instruments, require repayment of all outstanding indebtedness. If, upon review of these agreements after completion of the Offer, the Consortium Banks determine that such provisions can be waived by the relevant counterparties, the Consortium Banks will consider whether to seek these waivers. In the absence of these waivers, the operation of the change of control provisions, if any, could result in the loss of material contractual rights and benefits, the termination of joint venture agreements and licensing agreements or the requirement to repay outstanding indebtedness.

In addition, employment agreements with members of ABN AMRO senior management and other ABN AMRO employees may contain change of control provisions providing for compensation to be paid in the event the employment of these employees is terminated, either by ABN AMRO or by those employees, following the completion of the Offer, RFS Holdings' acquisition of ABN AMRO or completion of the reorganisation. Such employment agreements may also contain change of control provisions providing for compensation to be paid following the occurrence of such events even if the employment is not terminated. The Company has taken into account potential payments arising on the operation of change of control provisions, including compensation arising on change of control provisions in employment agreements but such payments may exceed our expectations.

#### **Risks Related to the Preference Shares**

***Dividends on the Preference Shares are discretionary and may not be declared and paid in full if the Board of Directors or the Committee resolves not to pay dividends in respect of any Dividend Payment Date.***

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

Prospective investors are advised that the terms of issue of other series of the Company's non-cumulative preference shares, and the terms and conditions of certain of the other securities issued by it from time to time, may in certain circumstances (including following non-payment of any dividend or other distribution otherwise payable on such shares or securities) require the Company not to pay in full or

at all, for the period or periods specified in the relevant terms of issue or terms and conditions, the dividends or other distributions otherwise stated to be payable on certain of the Company's other securities, including dividends on the Preference Shares.

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

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

If the Board of Directors does not pay a dividend or any part thereof payable on a Dividend Payment Date in respect of any Preference Shares for any reason, then holders of such preference shares or Preference Shares will have no claim in respect of such non-payment and the Company will have no obligation to pay the dividend accrued for the dividend period or to pay any interest on the dividend, whether or not dividends on the Preference Shares are declared for any future dividend period. Holders of Preference Shares will have no right to participate in the Company's profits.

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

***The Preference Shares have no fixed date for repayment, being perpetual in nature.***

The Company is under no obligation to repay the Preference Shares at any time, and the holders of the Preference Shares have no right to call for their repayment.

***The Preference Shares are subject to optional repayment by the Company.***

The Preference Shares may be repaid by the Company at its option on or after the First Redemption Date, as more particularly described in "Description of the Preference Shares — Redemption". This optional repayment feature is likely to limit the market value of the Preference Shares. During any period when the Company may elect to repay the Preference Shares, the market value of those Preference Shares generally will not rise substantially above the price at which they can be repaid. This may also be true prior to any repayment period. In addition, the Preference Shares may also be redeemed at their liquidation preference of €50,000 prior to the First Redemption Date (but not before 31 December 2012) upon the occurrence of a Capital Disqualification Event, all as more particularly described in "Description of the Preference Shares — Redemption".

The Company may be expected to repay the Preference Shares when its cost of borrowing is lower than the rate at which dividends accrue on the Preference Shares. At those times, an investor generally would not be able to reinvest the proceeds of repayment at an effective interest/dividend rate as high as the dividend rate on the Preference Shares being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Furthermore, prospective investors are advised that the Company will be permitted (but not required) to include in the terms of the Qualifying Non-Innovative Tier 1 Securities (to be issued upon any substitution of the Preference Shares, as described in the following paragraph) the ability to redeem the Qualifying Non-Innovative Tier 1 Securities prior to the First Redemption Date in the circumstances and on the basis (including, but without limitation, relating to tax and capital adequacy) substantially similar to the circumstances in which, and the basis on which, securities issued by companies then regulated by the FSA and comprising tax-deductible Innovative Tier 1 Capital may then be redeemed.

***The Company may substitute the Preference Shares in whole, but not in part, with Qualifying Non-Innovative Tier 1 Securities, at any time without any requirement for consent or approval of the holders of the Preference Shares.***

Subject to certain conditions, including compliance with the Company's Articles of Association, the provisions of the Companies Act 1985 (as amended) and all other laws and regulations applying to the Company and to the prior consent of the UK Financial Services Authority (if required), the Company may substitute the Preference Shares in whole, but not in part, with Qualifying Non-Innovative Tier 1 Securities (as defined under "Description of the Preference Shares — Substitution"). In issuing the Qualifying Non-Innovative Tier 1 Securities in substitution for the Preference Shares, the Board of Directors will have discretion to determine whether the Qualifying Non-Innovative Tier 1 Securities have the same material terms as the Preference Shares and will be under no obligation to seek the views or consult with the holders of the Preference Shares or other third parties.

Prospective investors are also advised that any such substitution, which would involve a redemption of the Preference Shares and the mandatory application of the proceeds thereof to the purchase of Qualifying Non-Innovative Tier 1 Securities, could occur prior to the First Redemption Date. Although the Company will undertake in the terms of issue of the Preference Shares to pay the costs and expenses associated with such substitution, as well as any stamp duty reserve taxes, capital duties, stamp duties or similar taxes payable in the United Kingdom arising on the allotment and issue of the Qualifying Non-Innovative Tier 1 Securities, the Company will not be obliged to pay, and each holder of the Preference Shares must pay, (i) any other taxes, stamp duty reserve taxes and capital, stamp, issue and registration duties arising in connection with the relevant substitution and (ii) all, if any, taxes arising by reference to any disposal or deemed disposal of a Preference Share in connection with the relevant substitution. Prospective investors should therefore be aware that there will not be any cash proceeds of such redemption available to them to fund any tax liability that they may incur in connection with such substitution. This Prospectus does not describe the tax consequences for holders of the Preference Shares of any such substitution.

***There is no limitation on the Company issuing senior or pari passu securities.***

There is no restriction on the amount of securities or other liabilities which the Company may issue or incur and which rank senior to, or *pari passu* with, the Preference Shares, and there is no restriction on the amount of preference share capital which the Company may issue and which ranks *pari passu* with the Preference Shares. The issue of any such securities or share capital or the incurrance of any such other liabilities may reduce the amount (if any) recoverable by holders of the Preference Shares on a winding up of the Company and/or may increase the likelihood of non-payment of dividends on the Preference Shares. As at the date of this Prospectus, the Company's issued and outstanding non-cumulative preference shares, which rank equally with the Preference Shares as to any distribution of the Company's surplus assets in the event that it is wound up or liquidated, have a euro-equivalent aggregate liquidation preference of approximately €9.0 billion, excluding the Series U preference shares and the Series 1 preference shares, each of which are expected to be issued on or about 4 October 2007, details of which are included under "Capitalisation of the Group".

***Holders of Preference Shares have limited voting rights.***

The holders of the Preference Shares will not be entitled to receive notice of, attend or vote at any general meeting of the Company's shareholders except (i) as provided by applicable law or (ii) in the limited circumstances described in "Description of the Preference Shares — Voting Rights".

***The rights attached to the Preference Shares may be varied with the consent of less than 100 per cent. of the holders thereof.***

The rights attached to the Preference Shares may be varied or abrogated with the written consent of the holders of 75 per cent. in nominal value of the outstanding Preference Shares or with the sanction of an extraordinary resolution passed at a separate class meeting of the holders of the outstanding Preference Shares. An extraordinary resolution will be adopted if passed by a majority of 75 per cent. of those holders voting in person or by proxy at the meeting.

It is therefore possible that the rights attached to Preference Shares held by a particular holder may be varied or abrogated notwithstanding that the relevant holder did not provide its written consent thereto and/or did not attend the relevant meeting at which the extraordinary resolution of holders is passed

and/or did not vote in favour of the relevant resolution at such meeting. See “Description of the Preference Shares — Variation of Rights” for further details.

***Subsequent changes in market interest rates may adversely affect the value of the Preference Shares.***

Subject as described under “Description of the Preference Shares — Declaration of Dividends”, dividends will accrue on the Preference Shares at a fixed rate. An investment in securities with a fixed rate of dividends involves the risk that subsequent changes in market interest rates may adversely affect the value of the Preference Shares.

***Legal investment considerations may restrict certain investments.***

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Preference Shares are legal investments for it, (2) the Preference Shares can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Preference Shares. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Preference Shares under any applicable risk-based capital or similar rules.

***An active market for the Preference Shares may fail to develop or may not be sustainable.***

Prior to the offering referred to in this Prospectus, there has been no trading market for this series of Preference Shares. The Company cannot assure investors that an active or liquid market will develop or be sustainable for the Preference Shares. Therefore, investors may not be able to sell their Preference Shares easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a material adverse effect on the market value of the Preference Shares.

***Credit ratings may not reflect all risks associated with an investment in the Preference Shares.***

The Preference Shares are expected, on issue, to be rated “Aa3” by Moody’s, “AA” by Fitch and “A” by Standard & Poor’s. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Preference Shares, including the effect of the Transaction on the Company after its completion. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

## DESCRIPTION OF THE PREFERENCE SHARES

The terms of, and rights attaching to, the Series 3 Euro Preference Shares (the “**Preference Shares**”) are contained in the Company’s Articles of Association (the “**Articles**”) and in the resolutions of a Committee of the Board of Directors of the Company referred to in “General Information — Consents” and are as summarised below.

### 1 General

The Preference Shares will be represented by a share warrant to bearer in the form of the Global Certificate. The Global Certificate will be deposited with The Bank of New York (the “**Common Depositary**”) as common depositary for Euroclear and Clearstream, Luxembourg. Beneficial interests in the Global Certificate will be evidenced by and transfers thereof will be effected only through, records maintained by the participants in Euroclear and Clearstream, Luxembourg. Beneficial interests in the Global Certificate will be transferable only in accordance with the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be. For further provisions regarding form and denomination of the Preference Shares, see paragraph 10 below.

### 2 Pre-emptive Rights

Holders of the Preference Shares will have no pre-emptive rights.

### 3 Dividends

- (A) *Dividend Payment Dates.* Non-cumulative preferential dividends on the Preference Shares will accrue from 4 October 2007 (the “**Issue Date**”). Subject to the limitations set forth below, the Company will pay dividends (i) annually in arrear on, and to the holders of record 15 days prior to, 30 September of each year, except that the first such payment will be made on 30 September 2008 (in respect of the period from and including the Issue Date to but excluding 30 September 2008) and the last such payment will be made on the First Redemption Date (as defined in paragraph 7) (in respect of the period from and including 30 September 2016 to but excluding the First Redemption Date) (each such payment date, an “**Annual Dividend Payment Date**”), and (ii) after the First Redemption Date, quarterly in arrear on 31 March, 30 June, 30 September and 31 December of each year, commencing on 31 December 2017 (each a “**Quarterly Dividend Payment Date**” and, together with each Annual Dividend Payment Date, each a “**Dividend Payment Date**”). References to a “**dividend period**” shall be to each period beginning on (and including) a Dividend Payment Date (or, in the case of the first such period, the Issue Date) to (but excluding) the next following Dividend Payment Date.
- (B) *Payments on Euro Business Days.* The Company will pay dividends when, as and if declared by the Board of Directors or an authorised committee of the Board of Directors (the “**Committee**”). If any date on which dividends are payable on the Preference Shares is not a day on which TARGET is operating and on which banks in London are open for business, and on which foreign exchange dealings may be conducted in euro (a “**Euro Business Day**”), then payment of the dividend payable on such date will be made on the succeeding Euro Business Day and without any interest or other payment in respect of such delay; for these purposes “**TARGET**” means the Trans-European Real-Time Gross Settlement Express Transfer (TARGET) system.

### 4 Declaration of Dividends

- (A) *Declaration of Dividends.* The Board of Directors or the Committee shall, in respect of any dividend payable on any Dividend Payment Date, declare and pay such dividend except to the extent that it resolves prior to such Dividend Payment Date in terms of one of the following:
- (i) resolves in its sole and absolute discretion prior to that Dividend Payment Date that such dividend (or part thereof) shall not be declared and paid; or
  - (ii) resolves not to declare and/or pay any dividend on that Dividend Payment Date if to do so would breach or cause a breach of the capital adequacy requirements, regulations, guidelines or policies of the UK Financial Services Authority (or any person or body to whom the banking supervision functions of the UK Financial Services Authority are



transferred) (referred to herein as the “FSA”) that apply at that time to the Company and/or any of the Company’s subsidiaries; or

- (iii) resolves not to declare and/or pay any dividend on that Dividend Payment Date if, in the opinion of the Board of Directors or the Committee, the distributable profits of the Company are insufficient to cover the payment in full of dividends on the Preference Shares on such Dividend Payment Date and also the payment in full of all other dividends stated to be payable on such date on any other equally ranking preference shares, after payment in full, or the setting aside of a sum to cover the payment in full, of all dividends stated to be payable on or before such date on any of the Company’s Cumulative Preference Shares (and any arrears of dividends thereon). The Companies Act 1985, as amended (the “Act”) defines “distributable profits” as, in general terms, and subject to adjustment, accumulated realised profits less accumulated realised losses.

If, in the opinion of the Board of Directors or the Committee, the distributable profits of the Company are insufficient to cover the payment in full of dividends on the Preference Shares on such Dividend Payment Date and also the payment in full of all other dividends stated to be payable on such date on any other non-cumulative preference shares and any other share capital expressed to rank *pari passu* therewith as regards participation in profits, after payment in full, or the setting aside of a sum to cover the payment in full, of all dividends stated to be payable on or before such date on any of the Company’s Cumulative Preference Shares (and any arrears of dividends thereon), then dividends shall be declared by the Board of Directors or the Committee (subject always to paragraph 4(A) (i) and (ii) above) pro rata for the Preference Shares, such other non-cumulative preference shares and such other equally ranking share capital to the extent of the available distributable profits (if any) to the intent that (subject as aforesaid) the amount of dividend declared per share on each such Preference Share and such other share capital will bear to each other the same ratio as the dividends accrued per share on each such Preference Share and such other share capital bear to each other.

“**Cumulative Preference Shares**” means the 400,000 5½ per cent. Cumulative Preference Shares of £1 each in the capital of the Company and the 500,000 11 per cent. Cumulative Preference Shares of £1 each in the capital of the Company.

- (B) *Reasons for Non-payment.* If any dividend otherwise payable on any Dividend Payment Date is not declared and/or paid in full by reason of a resolution referred to in one of paragraphs 4(A) (i), (ii) or (iii) above, the Company will notify the holders of the Preference Shares thereof in accordance with paragraph 12 below as soon as reasonably practicable after the date of such resolution. Each such notification shall specify the reasons why the relevant dividend has not been declared and/or paid in full.
- (C) *Ranking of Dividends on the Cumulative Preference Shares.* Dividends on the Cumulative Preference Shares, including any arrears of dividends thereon, are payable in priority to any dividends on the Preference Shares, and as a result, the Company may not pay any dividend on the Preference Shares unless the Company has declared and paid in full dividends on such Cumulative Preference Shares, including any arrears of dividends thereon. Dividends on the Preference Shares will be payable in priority to the payment of any dividend to the holders of ordinary shares in the capital of the Company (“**Ordinary Shares**”).
- (D) *Ranking of the Preference Shares.* The Preference Shares shall not rank after any other series of preference shares with which they are expressed to rank *pari passu* as regards participation in profits, by reason only of the exercise of the Board of Directors’ or the Committee’s discretion referred to in paragraph 4(A) (i) above, or any dividend on the Preference Shares not being paid by virtue of the exercise of such discretion.

## 5 Payment of Dividends

- (A) *Rate of Dividends.* Subject as provided in paragraph 4 above, the Company will pay dividends on the Preference Shares out of its distributable profits in euros, as follows:
  - (i) (in respect of the period from (and including) the Issue Date to (but excluding) the First Redemption Date) at a rate per annum of 7.0916 per cent. of the liquidation preference of €50,000 per Preference Share. The dividend on each Preference Share will therefore

amount to €3,545.80 per annum during this period, except that the dividend in respect of the period from (and including) the Issue Date to (but excluding) the first Annual Dividend Payment Date will amount to €3,507.05 per Preference Share, and the dividend in respect of the period from (and including) 30 September 2016 to (but excluding) the First Redemption Date will amount to €3,536.09 per Preference Share;

- (ii) (from and including the First Redemption Date, to the extent that the Preference Shares are not redeemed on such date as provided in paragraph 7 below) at a rate, reset quarterly, of 2.33 per cent. per annum above three-month EURIBOR, payable on each Quarterly Dividend Payment Date; and
- (iii) for the purposes of the foregoing, “**three-month EURIBOR**” means a rate determined by The Bank of New York in its capacity as calculation agent (the “**Calculation Agent**”) on the basis of 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 Reuters Page), or, if only one rate is available on the relevant Reuters Page, the offered quotation offered for three-month deposits in euros commencing on the date that is two TARGET Settlement Days before the first day of the relevant dividend period (the “**Determination Date**”), which appears on the display page designated EURIBOR01 on Reuter Monitor Money Rates Service (or such other Reuters Page as may in the future contain the per amount rate for three-month EURIBOR) at 11:00 a.m., Brussels time.

If five or more offered quotations are available on the relevant Reuter Monitor Money Rates Service page at the relevant time, 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 Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If such quotations do not appear on the display page designated EURIBOR01 on Reuter Monitor Money Rates Service at the relevant time, three-month EURIBOR with respect to that Determination Date will be determined on the basis of the rates that three-month deposits in euros, commencing on the Determination Date and in a principal amount that is representative for a single transaction in that market at that time, are offered to prime banks in the Euro-zone interbank market by four major banks in the Euro-zone interbank market selected by the Calculation Agent after consultation with the Company, at approximately 11:00 a.m., Brussels time, on that Determination Date. The Calculation Agent will request the principal Euro-zone office of each of such banks to provide a quotation of its rate.

If at least two such quotations are provided, three-month EURIBOR with respect to that Determination Date will be the arithmetic mean (rounded as provided above) of such quotations. If fewer than two quotations are provided, three-month EURIBOR with respect to that Determination Date will be the arithmetic mean (rounded as provided above) of the rates quoted by three major money centre banks in the Euro-zone selected by the Calculation Agent after consultation with the Company, at approximately 11:00 a.m., Brussels time, on the relevant Determination Date for deposits in euros with leading European banks for a three-month period commencing on the first day of the relevant dividend period and in a principal amount that is representative for a single transaction in that market at that time. However, if the banks selected by the Calculation Agent to provide quotations are not quoting as described in this paragraph, three-month EURIBOR for the applicable period will be the same as three-month EURIBOR as determined on the previous dividend period.

The Calculation Agent will, as soon as practicable after the Determination Date in relation to each dividend period, calculate the dividends payable in respect of each Preference Share for such dividend period. The Calculation Agent shall apply the applicable dividend rate for such dividend period to the liquidation preference of such Preference Share, multiply the product by the Floating Day Count Fraction and round the resulting figure to the nearest euro cent (half a euro cent being rounded upwards).

The Calculation Agent will cause the rate, the dividend payable in respect of each Preference Share for such dividend period and the relevant Quarterly Dividend Payment Date to be notified

to each holder of Preference Shares, pursuant to the provisions of Condition 12, as soon as possible after their determination.

If any Quarterly Dividend Payment Date falls on a day that is not a Euro Business Day, then such Quarterly Dividend Payment Date shall be postponed to the next Euro Business Day, unless it would thereby fall into the next calendar month, in which event such Quarterly Dividend Payment Date shall be brought forward to the immediately preceding Euro Business Day.

For these purposes:

**“Euro-zone”** means the region comprised of member states of the European Union that adopted or adopt the euro in accordance with the Treaty establishing the European Community, as amended.

**“Floating Day Count Fraction”** means the actual number of days from (and including) the date on which the dividend begins to accrue during the relevant dividend period to (but excluding) the date on which the dividend actually falls due divided by 360.

**“TARGET Settlement Day”** means a day on which TARGET is operating.

- (B) *Global Certificate.* The holder of the Global Certificate shall be the only person entitled to receive payments of dividends in respect of the Preference Shares represented by the Global Certificate. The Company will be discharged by payment to, or to the order of, the holder of the Global Certificate with respect to the amount so paid. Each of the persons on the records of Euroclear or Clearstream, Luxembourg as the holder of a beneficial interest must look solely to Euroclear and/or Clearstream, Luxembourg, as the case may be, for its share of such payment made by the Company to, or to the order of, the holder of the Global Certificate. No person other than the holder of the Global Certificate shall have any claim against the Company with respect to payments due on that Global Certificate.
- (C) *Non-Cumulative.* Dividends on the Preference Shares will be non-cumulative. If the Company does not pay a dividend otherwise payable on a Dividend Payment Date in respect of the Preference Shares by reason of a resolution referred to in paragraph 4(A) (i), (ii) or (iii), then holders of the Preference Shares will have no claim in respect of the non-payment. Except as described in this Prospectus, the holders of the Preference Shares will have no right to participate in the Company’s profits.
- (D) *Dividend and Capital Restrictions:*
- (i) If any dividend stated to be payable on the Preference Shares on the most recent Dividend Payment Date has not been declared and paid in full by reason of a resolution referred to in paragraph 4(A) (i), (ii) or (iii) above, and the Company has not set aside a sum to provide for payment in full of such dividend, then the Company may not:
- (a) declare or pay dividends or other distributions upon any Parity Securities (other than, in the case of non-payment by reason of the resolution referred to in paragraph 4(A) (i) only, any Mandatory Securities) or Junior Securities, and the Company may not set aside any sum for the payment of these dividends or distributions, unless, on the date of declaration of any such dividends or distributions, the Company sets aside an amount equal to the dividend for the then-current dividend period payable on the Preference Shares to provide for the payment in full of such dividend on the Preference Shares on the next Dividend Payment Date; or
- (b) redeem, purchase or otherwise acquire for any consideration any of its Parity Securities or Junior Securities, and the Company may not set aside any sum or establish any sinking fund for the redemption, purchase or other acquisition of such Parity Securities or Junior Securities, until such time as dividends on the Preference Shares in respect of successive dividend periods singly or together aggregating no less than 12 months shall thereafter have been declared and paid in full.

- (ii) The following definitions shall apply:

**“Group”** means the Company and its subsidiaries (as such term is defined in the Act).

**“Junior Securities”** means the Ordinary Shares and any other securities of the Company or any other member of the Group ranking or expressed to rank junior to the Preference Shares either issued directly by the Company or, where issued by a member of the Group, where the terms of the securities benefit from a guarantee or support agreement entered into by the Company which ranks or is expressed to rank junior to the Preference Shares.

**“Mandatory Securities”** means any Parity Securities the terms of which do not provide for the Board of Directors to be able to elect not to pay any dividend or other distribution in cash at its discretion.

**“Parity Securities”** means (i) the most senior ranking class or classes of non-cumulative preference shares in the capital of the Company from time to time and (ii) any other securities of the Company or any other member of the Group ranking or expressed to rank *pari passu* with the Preference Shares as regards participation in profits either issued directly by the Company or, where issued by a member of the Group, where the terms of the securities benefit from a guarantee or support agreement entered into by the Company which ranks or is expressed to rank *pari passu* with the Preference Shares and which in the case of (i) and (ii) above comply with the then current requirements of the FSA in relation to Tier 1 Capital or are otherwise treated by the FSA as Tier 1 Capital.

**“Tier 1 Capital”** has the meaning given to it by the FSA from time to time.

- (E) *Broken Periods.* The amount of dividends payable for any period shorter than a full dividend period prior to the First Redemption Date will be calculated on the basis of the actual number of days in the period from (and including) the date on which dividends begin to accrue during the relevant dividend period to (but excluding) the date on which the dividend actually falls due, divided by the number of days in such dividend period (including the first day but excluding the last). The amount of dividends payable for any period shorter than a full dividend period after the First Redemption Date will be calculated on the basis of the actual number of days elapsed in such period and a 360-day year. Payments of less than €0.01 will be rounded upwards.
- (F) *Unclaimed Dividends.* Any dividend which has remained unclaimed for 12 years from the date when it became due for payment shall, if the Board of Directors so resolves, be forfeited and shall revert to the Company.

## 6 Rights upon Liquidation

If the Company is wound up or liquidated, whether or not voluntarily, the holders of the Preference Shares will be entitled to receive in euros out of the Company's surplus assets available for distribution to shareholders, after payment of arrears (if any) of dividends on any Cumulative Preference Shares, up to the date of payment, equally with the Company's Cumulative Preference Shares, any other series of non-cumulative preference shares then outstanding, and all of the Company's other shares ranking equally with the Preference Shares as regards participation in the Company's surplus assets, (i) a distribution of €50,000 per Preference Share, together with (ii) an amount equal to dividends for the then-current dividend period accrued to but excluding the date of payment in each case before any distribution or payment may be made to holders of the Ordinary Shares or any other class of the Company's shares ranking after the Preference Shares.

If the assets available for distribution are insufficient to pay in full the amounts payable with respect to the Preference Shares and any of the Company's other preference shares ranking equally as to any such distribution with the Preference Shares, the holders of the Preference Shares and such other preference shares will share rateably in any distribution of the Company's surplus assets in proportion to the full respective preferential amounts to which they are entitled.

After payment of the full amount of the liquidation distribution to which they are entitled together with any accrued dividend for the then current dividend period, the holders of the Preference Shares will have no right or claim to any of the Company's surplus assets and will not be entitled to any further participation in surplus assets.

## 7 Redemption

The Company may, upon not less than 30 nor more than 60 days' notice, redeem the Preference Shares, at its option:

- (a) in whole but not in part on 29 September 2017 (the "**First Redemption Date**") or on any Quarterly Dividend Payment Date thereafter at a redemption price of €50,000 per Preference Share together with dividends accrued for the then-current dividend period;
- (b) in whole but not in part at any time during the period from and including 31 December 2012 to but excluding the First Redemption Date at a redemption price of €50,000 per Preference Share together with dividends accrued for the then-current dividend period if a Capital Disqualification Event shall be deemed to have occurred.

A "**Capital Disqualification Event**" shall be deemed to have occurred if the FSA has confirmed to the Company that the Preference Shares are no longer of the type eligible for inclusion in the Tier 1 Capital of the Company on a solo and/or consolidated basis.

If any date on which redemption monies are payable on the Preference Shares is not a Euro Business Day, then payment of such monies will be made on the succeeding Euro Business Day and without any interest or other payment in respect of such delay unless such day shall fall within the next calendar month whereupon such payment will be made on the preceding Euro Business Day.

The Articles provide that no defect in the notice of redemption or in the giving of the notice will affect the validity of the redemption proceedings.

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

Under existing FSA requirements, we may not redeem or purchase any Preference Shares unless we give prior notice to the FSA and, in certain circumstances, it (i) consents in advance and (ii) at the time when the notice of redemption is given and immediately following such redemption, we are or will be (as the case may be) in compliance with our capital adequacy requirements as provided in the regulations relating to capital adequacy then in effect of the FSA. The FSA may impose conditions on any redemption or purchase.

## 8 Substitution

Subject to the Articles, the provisions of the Act and all other laws and regulations applying to the Company and to the prior consent of the FSA (if required), in each case, subject also to any condition the FSA may impose on the redemption or substitution, the Company may substitute the Preference Shares, in whole but not in part, with Qualifying Non-Innovative Tier 1 Securities (as defined below), at any time (the "**Substitution Date**") without any requirement for consent or approval of the holders of the Preference Shares, provided that the Substitution Date shall not fall prior to 31 December 2012.

For the purposes of effecting any such substitution, the Company shall redeem the Preference Shares in whole (but not in part) on the Substitution Date and shall mandatorily apply the proceeds thereof to the purchase of Qualifying Non-Innovative Tier 1 Securities issued on such Substitution Date in an amount at least equal to the total number of the Preference Shares multiplied by €50,000 (in each case, without the need for any further action on the part of the holders of the Preference Shares).

The Company will pay any costs and expenses associated with such substitution and the issuance of the Qualifying Non-Innovative Tier 1 Securities, including, without limitation, the fees of the Paying and Settlement Agent or other third party involved in the issuance thereof and any fees and expenses relating to the listing of the Qualifying Non-Innovative Tier 1 Securities. The Company will also pay any stamp duty reserve taxes, capital duties, stamp duties or similar taxes payable in the United Kingdom arising on the allotment and issue of the Qualifying Non-Innovative Tier 1 Securities. The Company will not be obliged to pay, and each holder of the Preference Shares must pay, (i) any

other taxes, stamp duty reserve taxes and capital, stamp, issue and registration duties arising in connection with the relevant substitution and (ii) all, if any, taxes arising by reference to any disposal or deemed disposal of a Preference Share in connection with the relevant substitution.

To the extent that transfers of the Preference Shares are able to be effected between holders thereof free of any stamp duty, stamp duty reserve tax or similar taxes arising on such transfer immediately prior to the Substitution Date, the Company will procure that transfers of the Qualifying Non-Innovative Tier 1 Securities shall also be able to be effected between holders thereof free of any such taxes immediately following such date.

The Company must give a written notice of substitution to the holders of the Preference Shares, not less than 30 days nor more than 60 days prior to the Substitution Date. Prior to the publication of any notice of substitution pursuant to the foregoing provisions, the Company must first deliver to the Paying and Settlement Agent a certificate, signed by two duly authorised officers of the Company, certifying that the securities to be offered in substitution for the Preference Shares are Qualifying Non-Innovative Tier 1 Securities.

For the purposes hereof, the following definitions shall apply:

**“Innovative Tier 1 Capital”** has the meaning given to it by the FSA from time to time.

**“Non-Innovative Tier 1 Capital”** means Tier 1 Capital which does not comprise Innovative Tier 1 Capital.

**“Qualifying Non-Innovative Tier 1 Securities”** means securities whether debt, limited partnership interests, equity or otherwise, issued directly or indirectly by the Company that comply with the following:

- (1) such securities will have the same material terms as the terms of the Preference Shares, including without limitation a First Redemption Date (or as such term may otherwise be defined in the terms thereof) which falls on the same day as the First Redemption Date in respect of the Preference Shares, except that such securities will be permitted (but not required) to include the ability to be redeemed prior to the First Redemption Date in the circumstances and on the basis (including, but without limitation, relating to tax and capital adequacy) substantially similar to the circumstances in which, and the basis on which, securities issued by companies then regulated by the FSA and comprising tax-deductible Innovative Tier 1 Capital may then be redeemed;
- (2) such securities will be listed on the London Stock Exchange, the Luxembourg Stock Exchange or such other stock exchange as is a recognised stock exchange in Europe;
- (3) at the time of issue, payments made by the issuer in respect of such securities can be made free from any withholding tax imposed by any taxing or other authority (whether within or outside the United Kingdom) competent to impose, administer or collect any such tax;
- (4) such securities will comply with the then current requirements of the FSA in relation to Non-Innovative Tier 1 Capital; and
- (5) such securities will preserve any existing rights under the Preference Shares to any accrued dividend which has not been paid in respect of the period from (and including) the Dividend Payment Date last preceding the Substitution Date to (but excluding) the Substitution Date.

Notwithstanding anything to the contrary set forth above, the Qualifying Non-Innovative Tier 1 Securities may be issued with terms more favourable to the holders thereof than the terms of the Preference Shares.

## 9 Voting Rights

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

If any resolution is proposed for adoption by the Company's shareholders varying or abrogating any of the rights attaching to the Preference Shares or proposing that the Company would be wound up or liquidated, the holders of the Preference Shares or, in the case of the proposal of a resolution for a winding-up or liquidation, the holders of the outstanding preference shares generally will be entitled to

receive notice of and to attend the general meeting of shareholders at which the resolution is to be proposed and will be entitled to speak and vote on such resolution, but not on any other resolution.

In addition, if before any general meeting of shareholders the Company has failed to pay in full the dividend payable on the Preference Shares for the most recent dividend period, the holders of the Preference Shares shall be entitled to receive notice of, attend, speak and vote at such meeting on all matters. In these circumstances only, the right of the holders of Preference Shares to vote shall continue until such time as the Company has declared and paid in full dividends on the Preference Shares in respect of successive dividend periods singly or together aggregating no less than 12 months.

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

The holders, including holders of Preference Shares at a time when they have voting rights as a result of the Company having failed to pay dividends as described above, of not less than 10 per cent. of its paid-up capital that at the relevant date carries the right to vote at the Company's general meetings, are entitled to require the Board of Directors to convene an extraordinary general meeting. In addition, the holders of the Preference Shares may have the right to vote separately as a class in certain circumstances as described below under paragraph 11.

## **10 Form and Denomination**

The Preference Shares will, when issued, be fully paid and, as such, will not be subject to a call for any additional payment. For each Preference Share issued, an amount equal to its nominal value (being €0.01 per Preference Share) will be credited to the Company's issued share capital account and an amount of €49,999.99, being the difference between its issue price and its nominal value, will be credited to the Company's share premium account.

The Preference Shares will be represented by a single share warrant to bearer and will be in the form of the Global Certificate. The Global Certificate will be deposited with the Common Depositary on or before the Issue Date. The Company may consider the Common Depositary to be the holder and absolute owner of the Preference Shares represented by the Global Certificate so deposited for all purposes. If either or both of Euroclear and Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays), or announces an intention permanently to cease business, a number of Preference Shares corresponding to its book-entry interest in the Preference Shares represented by the Global Certificate will be transferred to each holder of Preference Shares, in the form of share warrants to bearer within 30 days of such closure or announcement.

Upon presentation and surrender to the Company's registrar at its office in the UK (see paragraph 14 below), a share warrant to bearer in definitive form may (provided that all unmatured dividend coupons, if any, appertaining to it are also surrendered) be exchanged for the relevant Preference Shares in registered form, in which event the holder of the share warrant to bearer will be registered as a holder of the Preference Shares in the register of members the Company maintains and will receive a certificate made in such holder's name. Other than in the circumstances referred to in this paragraph, definitive share certificates will not be available to holders of Preference Shares. Temporary documents of title will not be issued.

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

Each exchange or registration of transfer of Preference Shares in registered form will be effected by entry on the register for the Preference Shares kept by the Company's registrar at its office in the UK. Any exchange or registration of transfer will be effected without charge to the person requesting

the exchange or registration, but the requesting person will be required to pay any related taxes, stamp duties or other governmental charges.

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

## **11 Variation of Rights**

The rights attached to the Preference Shares may be varied or abrogated only with the written consent of the holders of 75 per cent. in nominal value of the outstanding Preference Shares or with the sanction of an extraordinary resolution passed at a separate class meeting of the holders of the outstanding Preference Shares. An extraordinary resolution will be adopted if passed by a majority of 75 per cent. of those holders voting in person or by proxy at the meeting. The quorum required for any such class meeting will be two persons holding or representing by proxy at least one-third in nominal amount of the outstanding Preference Shares affected, except at any adjourned meeting, where any two holders present in person or by proxy will constitute a quorum.

The written consent of the holders of 75 per cent. in nominal value of the outstanding Preference Shares or the sanction of an extraordinary resolution passed at a separate class meeting of holders of the outstanding Preference Shares will be required if the Board of Directors propose to authorise, create or increase the amount of any shares of any class or any security convertible into shares of any class ranking as regards rights to participate in the Company's profits or assets, other than if the Company redeems or purchases such shares, in priority to the Preference Shares.

If the Company has paid the most recent dividend payable on the Preference Shares in full, the rights attached to the Preference Shares will not be deemed to be varied by the creation or issue of any further non-cumulative preference shares or of any other further shares ranking equally as regards participation in the Company's profits or assets with, or junior to, the Preference Shares, whether carrying identical rights or different rights in any respect, including as to dividend, premium on a return of capital, redemption or conversion or denominated in euro or any other currency.

## **12 Notices**

The Company will cause a notice of any meeting at which holders of Preference Shares are entitled to attend and vote to be mailed to each holder of Preference Shares. Each such notice will state:

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

A holder of Preference Shares in registered form who is not registered with an address in the UK and who has not supplied an address within the UK to the Company for the purpose of service of notices is not entitled to receive notices of meetings. In addition, notices to holders of the Preference Shares, including notices for general meetings of holders of the Preference Shares, will (for so long as the Preference Shares are in the form of the Global Certificate) be published in accordance with the operating procedures for the time being of Euroclear and Clearstream, Luxembourg. For so long as any Preference Shares are represented by a share warrant to bearer in definitive form, such notices will be published in English in a leading newspaper (which is expected to be the *Financial Times*) having general circulation in Europe that is published on each business day in morning editions, whether or not it is published on Saturday, Sunday or holiday editions. In addition, for so long as any of the Preference Shares are listed on any stock exchange, such notices will be published in accordance with the requirements (if any) of such stock exchange.

## **13 Governing Law**

The creation and issuance of the Preference Shares and the rights attached to them shall be governed by and construed in accordance with the laws of Scotland.



#### **14 Paying and Settlement Agent and Registrar**

The Company has appointed The Bank of New York as Paying and Settlement Agent pursuant to an agency agreement to be dated the Issue Date for the Preference Shares (“**Agency Agreement**”). The Paying and Settlement Agent’s current address is 1 Canada Square, London E14 5AL, England.

The Company will act as registrar for so long as the Preference Shares are represented by the Global Certificate. If Preference Shares represented by a share warrant to bearer are exchanged for Preference Shares in registered form (see paragraph 10 above), the Company shall either continue to act as registrar, or shall appoint a third party registrar, to maintain the register in respect of the Preference Shares in registered form. The Company’s address for presentation and surrender of a share warrant to bearer for Preference Shares in registered form will be stated in the relevant share warrant, and for registration of transfer of Preference Shares in registered form will, unless otherwise notified to the holders, be The Royal Bank of Scotland Group plc, Group Secretariat, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ, Scotland. If any third party is so appointed as registrar, the Company shall notify the holders of the Preference Shares in accordance with paragraph 12 above forthwith following any such appointment. References above to the “registrar” shall be construed accordingly.

The Company reserves the right at any time to vary or terminate the appointment of the Paying and Settlement Agent and to appoint a successor paying and settlement agent and additional paying and settlement agents (provided that the Company shall maintain a Paying and Settlement Agent for so long as any Preference Share remains outstanding). Notice of any change of paying and settlement agent and/or registrar will be given to holders of the Preference Shares in accordance with paragraph 12 above.

## USE OF PROCEEDS

The net proceeds of this offering of Preference Shares are estimated to be approximately €1,286.5 million after payment of commissions and expenses. See “Subscription and Sale” below for further details.

The net proceeds of the offering of the Preference Shares are expected to be used to fund in part the cash portion of the offer for ABN AMRO Holding N.V. which is attributable to the Company, to strengthen the Group’s capital base and for general corporate purposes. The Company may issue other securities, including preference shares, in connection with financing the portion of the Offer which is attributable to the Company. See “The ABN AMRO Offer” appearing elsewhere in this Prospectus, the New Shares Prospectus and the Circular to Shareholders issued by the Company in connection with such offer for further details in respect of such offer, including the aggregate amount payable by the Company in connection therewith and its expected sources of funding. The New Shares Prospectus and the Circular to Shareholders are incorporated by reference in this Prospectus and can be obtained as described under “Documents Incorporated by Reference” above.

## DESCRIPTION OF THE GROUP

### The Group

The Royal Bank of Scotland Group plc (“**RBSG**”) is a public limited company incorporated in Scotland with registration number SC045551. RBSG was incorporated under Scots law on 25 March 1968 under the name “National and Commercial Banking Group Limited” and its name was changed to “The Royal Bank of Scotland Group Limited” by Special Resolution passed on 4 July 1979. By Resolution of the Directors passed on 28 January 1982, pursuant to section 8 of the Companies Act, 1980, the name of RBSG was changed to “The Royal Bank of Scotland Group public limited company”. RBSG (together with its subsidiaries, the “**Group**”) is the holding company of one of the world’s largest banking and financial services groups, based on a market capitalisation of £59.9 billion as at 30 June 2007. The Group’s operations are conducted principally through The Royal Bank of Scotland plc (“**RBS**”) and its subsidiaries including National Westminster Bank Plc (“**NatWest**”), other than the general insurance business (which is primarily conducted through Direct Line Group and Churchill Insurance). RBS is a public limited company incorporated in Scotland with registration number SC090312, having been incorporated under Scots law on 31 October 1984. Both RBS and NatWest are major UK clearing banks whose origins go back over 275 years. The Group has a large and diversified customer base and provides a wide range of products and services to personal, commercial and large corporate and institutional customers.

The Group had total assets of £1,011.3 billion and shareholders’ equity of £41.5 billion at 30 June 2007. The Group is strongly capitalised with a total capital ratio of 12.5 per cent and tier 1 capital ratio of 7.4 per cent as at 30 June 2007.

### Organisational structure and business overview

The Group’s activities are organised in the following business divisions: Corporate Markets (comprising Global Banking & Markets and UK Corporate Banking), Retail Markets (comprising Retail and Wealth Management), Ulster Bank, Citizens, RBS Insurance and Manufacturing. A description of each of the divisions is given below.

#### Corporate Markets

**Corporate Markets** is focused on the provision of debt and risk management services to medium and large businesses and financial institutions in the UK and around the world. Its activities are organised into two businesses, Global Banking & Markets and UK Corporate Banking, in order to enhance our focus on the distinct needs of these two customer segments.

**Global Banking & Markets** is a banking partner to major corporations and financial institutions around the world, providing an extensive range of debt financing, risk management and investment services to its customers.

**UK Corporate Banking** is a provider of banking, finance and risk management services to UK corporate customers. Through its network of relationship managers across the country it distributes the full range of Corporate Markets’ products and services to companies.

#### Retail Markets

**Retail Markets** leads the co-ordination and delivery of our multi-brand retail strategy across our product range, and comprises Retail and Wealth Management.

**Retail** comprises both The Royal Bank of Scotland and NatWest retail brands. It offers a full range of banking products and related financial services to the personal, premium and small business markets (SMEs) through a network of branches and ATMs in the UK, as well as through telephone and internet banking. Retail issues a comprehensive range of credit and charge cards and other financial products through The Royal Bank of Scotland, NatWest and other brands, including MINT, First Active UK and Tesco Personal Finance.

**Wealth Management** provides private banking and investment services to its global clients through Coutts Group, Adam & Company, The Royal Bank of Scotland International and NatWest Offshore.

**Ulster Bank**, including First Active, provides a comprehensive range of retail and wholesale financial services in the Republic of Ireland and Northern Ireland. Retail Banking has a network of branches

throughout Ireland and operates in the personal, commercial and wealth management sectors. Corporate Markets provides a wide range of services in the corporate and institutional markets.

**Citizens** is engaged in retail and corporate banking activities through its branch network in 13 states in the United States and through non-branch offices in other states. Citizens Financial Group includes the seven Citizens Banks, Charter One, RBS National Bank, our US credit card business, RBS Lynk, our US merchant acquiring business, and Kroger Personal Finance, our credit card joint venture with a US supermarket group.

**RBS Insurance** sells and underwrites retail and SME insurance over the telephone and internet, as well as through brokers and partnerships. Direct Line, Churchill and Privilege sell general insurance products direct to the customer. Through its International Division, RBS Insurance sells general insurance, mainly motor, in Spain, Germany and Italy. The Intermediary and Broker Division sells general insurance products through 2,500 independent brokers.

**Manufacturing** supports the customer-facing businesses and provides operational technology, customer support in telephony, account management, lending and money transmission, global purchasing, property and other services.

### **Principal subsidiary undertakings**

RBSG's shares are widely held and, to the best of its knowledge, RBSG is not directly or indirectly controlled by anyone.

RBS is wholly-owned by RBSG and supervised by the Financial Services Authority as a bank.

RBSG's direct principal operating subsidiaries are RBS and RBS Insurance Group Limited. The principal subsidiary undertakings of RBS are shown below. Their capital consists of ordinary and preference shares, which are unlisted with the exception of certain preference shares issued by NatWest.

All of the subsidiary undertakings are owned directly or indirectly through intermediate holding companies and are wholly-owned. All of the subsidiaries shown below are included in the consolidated financial statements of RBSG and RBS and have an accounting reference date of 31 December.

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

## THE ABN AMRO OFFER

See “Selected Definitions” below for the meanings of certain capitalised terms used in the following section.

### Overview of the Transaction

#### *The Offer*

On 20 July 2007, RFS Holdings, a company jointly owned by the Consortium Banks and controlled by RBSG, commenced the Offer, pursuant to which it will exchange for each ABN AMRO ordinary share and each ABN AMRO ADS validly tendered (i) €35.60 in cash and (ii) 0.296 newly issued RBSG ordinary shares.

As at 20 September 2007, the total value of the Offer consideration was €69.8 billion, based on the closing price of £5.21 for the RBSG ordinary shares on the London Stock Exchange on that date and an exchange rate of €1.00 per £0.6995 published in the *Financial Times* on 21 September 2007. Under the Offer, the Company will contribute its consortium proportion of the consideration paid to ABN AMRO shareholders and ABN AMRO ADS holders €26 billion. The consideration for the ABN AMRO Businesses net of the sale of LaSalle will be €15 billion. The reduction comprises US\$21 billion in proceeds from the sale of LaSalle less inter-company balances of US\$6 billion as set out in the Bank of America Agreement.

The Offer is subject to certain conditions customary for transactions of this type, including a minimum acceptance condition of 80 per cent. of ABN AMRO ordinary shares and the sale of LaSalle to Bank of America Corporation, with the proceeds from such sale on completion being held by the ABN AMRO Group. Completion of the acquisition of ABN AMRO, should the Offer be successful, is expected to occur in the fourth quarter of 2007.

#### *The Restructuring*

In due course following completion of the Offer, RFS Holdings expects to implement an orderly separation of the business units of ABN AMRO whereby the Company is to acquire the following ABN AMRO business units as defined in ABN AMRO’s Annual Report on Form 20-F for the year ended 31 December 2006, filed with the Securities and Exchange Commission on 2 April 2007 (the “**ABN AMRO 2006 Annual Report**”) (the “**ABN AMRO Businesses**”):

- Continuing businesses of Business Unit North America following the sale of LaSalle to Bank of America Corporation;
- Business Unit Global Clients and wholesale clients in the Netherlands (including former Dutch wholesale clients) and Latin America (excluding Brazil);
- Business Unit Asia (excluding Saudi Hollandi); and
- Business Unit Europe (excluding Antonveneta).

Certain other assets will continue to be shared by the Consortium Banks (the “**Shared Assets**”).

#### *The Consortium and Shareholders’ Agreement*

The arrangements between Fortis, RBSG, Santander and RFS Holdings in relation to the Transaction are governed by the Consortium and Shareholders’ Agreement, which was entered into on 28 May 2007, was supplemented on 17 September 2007 and may be further amended or supplemented from time to time.

The arrangements contemplated by the Consortium and Shareholders’ Agreement include:

- the funding of RFS Holdings in connection with the Offer;
- the governance of RFS Holdings both before and after the acquisition of ABN AMRO;
- each of the Consortium Banks’ equity interests in RFS Holdings;
- the transfer of certain business units of ABN AMRO, assets and liabilities to the Consortium Banks (or their group members) after the acquisition of ABN AMRO by RFS Holdings;
- the management and disposal of any businesses, assets and liabilities of ABN AMRO not intended to be transferred to the Consortium Banks;

- allocation of core Tier 1 capital;
- further funding obligations of the Consortium Banks after the acquisition of ABN AMRO where funding is required by regulatory authorities in connection with the business units of ABN AMRO; and
- allocation of taxes and conduct of tax affairs.

Pursuant to the Consortium and Shareholders' Agreement, the Consortium Banks have agreed to subscribe for shares in RFS Holdings of a sufficient amount to fund the consideration due under the Offer. This funding commitment is split among the Consortium Banks as follows:

- Fortis: 33.8 per cent.,
- RBSG: 38.3 per cent., and
- Santander: 27.9 per cent.

Approximately 6 per cent. of RFS Holdings' commitment will be satisfied by the issue of RBSG ordinary shares in connection with the Offer. Upon settlement of the Offer, the Consortium Banks will have shareholdings in RFS Holdings that are equal to their proportionate funding commitments.

### **Chronology of Key Events Relating to the Offer**

On 29 May 2007, the Consortium Banks confirmed the terms of a proposed Offer for ABN AMRO, which terms reflected the uncertainty regarding the sale of La Salle to Bank of America.

On 16 July 2007, following a ruling of the Dutch Supreme Court overturning an injunction preventing the sale of La Salle to Bank of America without a shareholder vote, the Consortium Banks issued an announcement confirming their intention to proceed with a revised proposed Offer.

On 18 July 2007, ABN AMRO issued a press release acknowledging receipt of the Consortium Banks' revised proposed Offer. In the press release, ABN AMRO confirmed it would discuss the revised proposed Offer with the Consortium Banks, and that, under the terms of a merger protocol dated 23 April 2007 between Barclays and ABN AMRO, it would also discuss with Barclays its Offer and the implications of the Consortium Banks' revised proposed Offer. ABN AMRO also confirmed that it would assess the proposed Offers in a fair and transparent manner and that it had no intention of making any major asset disposals at that time.

On 20 July 2007, RFS Holdings commenced the Offer on the terms described above.

On 30 July 2007, ABN AMRO issued an Offer update in which it announced that it was not in a position to recommend either the Offer or Barclays' Offer for ABN AMRO and that it would continue to engage with both parties with the aim of continuing to ensure a level playing field.

On 13 August 2007, the Consortium Banks issued a press release announcing that their aggregate shareholding in ABN AMRO had been increased to 3.25 per cent. of voting rights through market purchases made between 10 August 2007 and 13 August 2007 of a total of 40.76 million ABN AMRO ordinary shares.

On 17 September 2007, the Dutch Minister of Finance, in conjunction with the Dutch Central Bank, granted the Consortium Banks the "Declarations of No Objection" which they require in respect of the Offer.

### **ABN AMRO Businesses to be Acquired by RBSG**

#### ***The Company's Plans and Proposals for the ABN AMRO Businesses***

The information in respect of the ABN AMRO Businesses set out below is based on publicly available information, including periodic and other reports which ABN AMRO has filed with or furnished to the SEC.

For the purposes of this Prospectus, ABN AMRO's Global Wholesale Businesses consist of Business Unit Global Clients, the wholesale clients in Business Unit Europe (excluding Antonveneta), the wholesale clients in Business Unit Asia, the continuing businesses of Business Unit North America, and wholesale clients in the Netherlands and Latin America (excluding Brazil); and ABN AMRO's

International Retail Businesses consist of the retail activities in Business Unit Asia and Business Unit Europe (excluding Antonveneta).

### *ABN AMRO's Global Wholesale Businesses*

ABN AMRO has a large wholesale banking business with a global footprint and corporate banking operations in 53 countries. In addition to established positions with large numbers of customer relationships in Europe and the United States, ABN AMRO is present in emerging markets through offices in 11 countries in Asia, five countries in Eastern Europe and seven countries in Latin America.

ABN AMRO is one of a small number of banks with the global reach and product capability to be effective in international cash management, payments and trade finance. Through these transactional banking products, ABN AMRO has been able to establish large numbers of corporate and institutional customer relationships globally. However, the Company believes that many of these relationships are relatively underdeveloped, reflecting ABN AMRO's insufficient strength in many of the financing and risk management products which are most relevant and complementary for these customers.

In addition to its international activities with large corporate and institutional customers, ABN AMRO has extensive relationships with mid-corporate customers in Continental Europe, Asia and the Middle East.

ABN AMRO's Global Wholesale Businesses, which the Company will acquire, are those that constituted ABN AMRO's Wholesale Clients Business Unit, or WCS, in 2005 (including the continuing businesses of Business Unit North America following the sale of LaSalle, and including the Netherlands, but excluding Brazil (other than Global Clients customers)) and the product capabilities serving wholesale clients within its Global Markets and Transaction Banking Product Business Units. In 2006, WCS customers were transferred to the regional Business Units, except for the largest customers which were maintained in ABN AMRO's Global Clients Business Unit. In 2007, Global Clients customers have also been allocated to the regional Business Units. The Company estimates that ABN AMRO's Global Wholesale Businesses generated income of €5,677 million and profit before tax of €630 million in 2006, on an IFRS basis.

### *Strategic Rationale*

The Company believes that there is a strong strategic fit between its Global Banking & Markets business ("**GBM**") and ABN AMRO's Global Wholesale Businesses. GBM has considerable strength across a broad range of financing and risk management products and in 2006 had what the Company believes to be an industry leading cost to income ratio of 40 per cent., reflecting deep client relationships and strong income per customer metrics. However, while GBM has been expanding its international reach in recent years, it still has limited presence outside major financial centers. The acquisition of ABN AMRO's global branch network should enable GBM to accelerate this expansion relative to its current strategy, under which the establishment of a global branch network and customer base would take a significant period and would require significant investment.

ABN AMRO's considerable reach, through its global branch network, supports its strength in transactional products such as international cash management and trade finance. ABN AMRO is also strong in faster growth, but more specialised, areas including equity derivatives and emerging markets. However, the Company believes that ABN AMRO's lack of depth and scale in some important products has led to relatively weak income per customer and per employee, resulting in a high estimated cost to income ratio for its Global Wholesale Businesses of 89 per cent. in 2006.

The Company's relationship-driven model and focus on deepening customer relationships enables it to generate high levels of income from its customers. GBM believes that this revenue generation is significantly above the level achieved by ABN AMRO from its Global Clients franchise. For these equivalent customer groups, GBM estimates that it generated more than 50 per cent. higher income per customer than ABN AMRO and more than 150 per cent. higher income per front office employee than ABN AMRO.

The Company expects that it will be able to deepen customer relationships and increase revenues per customer and per employee across ABN AMRO's extensive base of large and mid-corporate customers. To achieve this, GBM will apply its relationship-driven model in which relationship managers are enabled and incentivised to deliver the bank's full range of products and services from debt capital markets to cash management. The Company's model focuses on the overall profitability of customer relationships and

encourages a collaborative approach between relationship and product teams. The model is supported by clear client and revenue accountabilities, transparent incentives for collaboration, a focus on higher value added income streams and a simple organisation structure which encourages the development of cross-product customer solutions.

In addition to the application of the Company's relationship management model, GBM expects to be able to create additional value from ABN AMRO's customer franchise through leveraging its strengths in the product areas that are both most relevant to large corporate and institutional customers and which Offer the highest value revenue streams, for example in structured finance, risk management and securitisation. GBM believes that it brings the requisite scale and strength in these key product areas that ABN AMRO currently lacks.

The Company expects that the combined business will have product leadership across a broad range of corporate banking products, benefiting from the complementary and overlapping product strengths of GBM and ABN AMRO. Based on 2006 data (the sources for which are included in the table below), the combined business will rank third in all bonds and loans globally, first in global securitisations, global project finance and all international bonds, second in emerging markets syndicated credits, third in foreign exchange and fifth in international cash management. The Company also expects it to be a leading player in the global interest rate derivatives market, where GBM has had particular success in the distribution of sophisticated risk management products to its large and mid-corporate customers.

<u>Ranking by Product(1)</u>	<u>2006</u>		
	<u>GBM</u>	<u>ABN AMRO</u>	<u>Combined GBM + ABN AMRO(2)</u>
<b>GBM Strengths</b>			
Global All Bonds and Loans .....	#6	#17	#3
Foreign Exchange .....	#4	#12	#3
Global Securitisations .....	#2	#18	#1
European Leveraged Loans .....	#2	#16	#1
Global Project Finance .....	#1	#5	#1
EMEA Syndicated Loans .....	#1	#9	#1
<b>ABN AMRO Strengths</b>			
Euro Denominated Bonds .....	#8	#4	#1
International Covered Bonds .....	#18	#1	#1
Emerging Markets Syndicated Credits .....	#31	#2	#2
International Cash Management .....	#28	#6	#5
<b>GBM + ABN AMRO Strengths</b>			
All International Bonds .....	#8	#10	#1
Asia-Pacific Syndicated Loans .....	#13	#15	#5
US Syndicated Loans .....	#8	#18	#7

Notes:

(1) Data derived from Dealogic, Thomson Financial and Euromoney Polls.

(2) Combined estimates based on publicly available 2006 data from Dealogic, Thomson Financial and Euromoney Polls.

The Company believes that the combined business will be well diversified by geography across the United Kingdom, the rest of Europe, the United States and Asia-Pacific, with a small contribution from Latin America. Within these regions, the Company anticipates that the combined business will have considerable local presence through which to distribute its strong and broad product Offering.

In Europe, including the United Kingdom, the Company expects that the combined business will consolidate its position as the leading wholesale and fixed income bank. GBM will apply its relationship model and product strengths to deepen ABN AMRO's extensive franchise in Continental Europe with large corporates and financial institutions, while ABN AMRO's international cash management, payments and trade finance products will enable GBM to enhance its customer relationships. ABN AMRO's local presence is expected to enable GBM to extend from the largest corporates and financial institutions to the middle market, and to extend geographically into fast growing markets in Eastern Europe and the Middle East. The combination of the two banks' structured investor product capabilities and distribution platforms



is anticipated to create a significantly stronger business with good prospects for growth in an expanding market.

In North America, GBM has been implementing a strategy with the objective of becoming a top five corporate bank. The Company believes that the combination with ABN AMRO's Global Wholesale Businesses will enable GBM to accelerate the implementation of this strategy. The combined product strengths, including the capital markets expertise of RBS Greenwich Capital, should enable the combined group to generate increased revenues from the existing GBM and ABN AMRO client bases. The Company believes the business will be positioned to build on the combined industry sector strengths of GBM and ABN AMRO in consumer products, retail, healthcare, industrials, energy and utilities, and intend to leverage their complementary strengths in real estate financing to create a leading business in this area. In addition to the significant opportunity to grow the large corporate and institutional franchise in the United States, the combined business is expected to be able to deliver a full range of financial and risk management solutions to midcorporate customers.

In Asia, the Company believes that the combined GBM and ABN AMRO wholesale businesses will have the capacity to build a significant regional corporate bank. As in the United States and Europe, the combined business will seek to increase the depth of ABN AMRO's current customer franchise by applying GBM's business model. ABN AMRO's existing local presence and infrastructure in key markets with strong growth will enable GBM to accelerate significantly its plans for developing business with customers in India, South Korea and Taiwan. In addition, there is a significant growth opportunity to develop ABN AMRO's emerging markets and equity derivatives products for GBM's customers globally.

In Latin America, ABN AMRO has established a presence and customer relationships. The Company expects the combined business to deepen these relationships, in particular by leveraging GBM's strengths in natural resources and project finance. GBM has had significant success in developing customer relationships in Iberia, and believes that a presence and capabilities in Latin America will enable it to support these customers' activities in the region.

The Company estimates that the combined business will be the third largest corporate and institutional banking and markets business globally by fixed income revenues (revenues from all areas except M&A advisory, cash equity and asset management businesses). Based on internal research, RBSG estimates that GBM will rank first in the United Kingdom and Continental Europe, fifth in the United States and fifth in Asia-Pacific (excluding Japan) by client relationships.

#### *Business Plan*

The management team of GBM has developed a clear and detailed roadmap for the integration of ABN AMRO's Global Wholesale Businesses. GBM will follow the Group's established integration principles: minimising disruption to customers and customer-facing activities, retaining the best talent from each organisation through a fair appointment process based on merit and competencies, creating single global platforms and creating the capability for future growth while maintaining leading efficiency ratios.

The integration of GBM and ABN AMRO's Global Wholesale Businesses will be led by a management team including many who were actively involved in the integration of National Westminster Bank Plc.

During the first 45 days after completion of the Offer, GBM will work with the management of ABN AMRO to verify and expand the information received and assumptions made on the basis of the limited due diligence access granted before completion of the Offer. By day 45, the Company intends to have validated a baseline plan for the achievement of synergies. This plan will form the basis for consultation with employee bodies and regulators.

GBM will review ABN AMRO's activities in markets where it does not currently operate and intends to continue ABN AMRO's progress in aligning the cash equities business to support its enlarged and growing activities in equity derivatives.

#### *Transaction Benefits*

GBM believes that it will be able to generate significantly higher revenues from ABN AMRO's customer franchise by leveraging the combined businesses' enhanced product strengths and by applying the Company's proven management capabilities. The Company believes that it will also be able to achieve substantial cost savings through de-duplication of infrastructure and support activities. GBM believes that

it will be able to reduce the cost to income ratio of ABN AMRO's Global Wholesale Businesses from 89 per cent. in 2006 to under 65 per cent. in the third year after completion of the Offer.

GBM expects to deliver transaction benefits which will increase GBM's profit before tax by €1,718 million in the third year after completion of the Offer. Of this total, GBM estimates that cost savings will amount to €1,237 million and that net revenue benefits (after associated costs and impairment losses, and allowing for attrition) will increase profit before tax by €481 million.

GBM will focus on deepening customer relationships and increasing revenues per customer and per employee across ABN AMRO's large and mid-corporate customer base. To achieve this, GBM will apply its relationship-driven model and the techniques which have enabled it to deliver strong revenue per customer and revenue per employee metrics and a cost to income ratio of 40 per cent. in 2006. At the same time, the Company anticipates having stronger capabilities in international cash management and trade finance, equity derivatives and emerging markets to Offer to its customers.

There is some overlap between the Company's customer franchises and those of ABN AMRO, particularly in the United Kingdom. However, due to the complementary product propositions of the two businesses, revenue losses are expected to be limited, but conservative allowances for these potential revenue losses have been made.

As set forth in the table below, the expected net revenue benefits of €481 million in the third year after completion of the Offer represent 8 per cent. of ABN AMRO's relevant 2006 revenues.

	<u>Estimated Net Revenue Benefits per Annum by End of 2010</u>	<u>Number of Initiatives</u>
	(€m)	
Global Banking .....	61	7
Global Markets .....	292	12
Transaction Banking .....	<u>128</u>	<u>11</u>
<b>Overall Estimated Impact on Profit Before Tax .....</b>	<b><u>481</u></b>	<b><u>30</u></b>

The combination of GBM and ABN AMRO's Global Wholesale Businesses is expected to enable substantial cost savings to be achieved, as the Company implements a single business architecture. Cost savings will be achieved by de-duplication of information technology platforms and supporting infrastructure. The Company's existing information technology platform will be used for the majority of products and functions, but it is expected that the information technology platform supporting ABN AMRO's cash management and trade finance business, as a core strength of that global business, will be retained.

Further cost savings are expected to be achieved by streamlining combined functions across operations, finance, risk, human resources and other support areas, and through procurement and property efficiencies. The Company also expects that cost savings will be achieved by bringing in-house certain operations which ABN AMRO has outsourced to external providers.

Additional cost savings are expected to be achieved by the elimination of overlaps in front office trading and support functions, as trading activities are consolidated into regional centres, while minimising disruption to customer-facing activities.

The expected cost savings resulting from these initiatives amount to €1,237 million in the third year after completion of the Offer, representing 24 per cent. of ABN AMRO's relevant 2006 expenses. The four principal areas of rationalisation and efficiency savings are set out below:

	Estimated Cost Savings per Annum by End of 2010 (€m)	Number of Initiatives
Front Office .....	352	10
Information Technology and Operations.....	611	27
Functional Support .....	166	16
Procurement and Property .....	<u>108</u>	<u>5</u>
<b>Total Estimated Cost Savings</b> .....	<u><u>1,237</u></u>	<u><u>58</u></u>

After allocating the support cost savings to the main business groupings, approximately €887 million of savings arise from global corporate and institutional businesses and €350 million from mid-corporate and commercial businesses and transaction banking services.

#### *ABN AMRO's International Retail Businesses in Asia, the Middle East and Europe*

ABN AMRO has an extensive network of branches in Asia and the Middle East, principally to support its international cash management, payments and trade finance businesses for commercial customers. Many of these branches are also active in retail banking, although generally only on a limited scale.

ABN AMRO has retail activities in nine markets in Asia and the Middle East(1):

- East Asia: China, Hong Kong, Singapore, Indonesia, Malaysia, Taiwan
- South Asia: India, Pakistan
- Middle East: United Arab Emirates

The most significant presence is in India, where ABN AMRO has 27 branches, and United Arab Emirates, with 17 locations. The branches in India are in major conurbations across the country and include six branches in New Delhi and three in Mumbai. In the United Arab Emirates the network is focused on key locations in Abu Dhabi and Dubai.

ABN AMRO also has a presence in Mainland China, with 11 branches, and Taiwan, with five branches. In Pakistan, ABN AMRO has 12 branches (excluding Prime Bank, which will be included in the Shared Assets). ABN AMRO also has retail businesses in Spain, Romania and Kazakhstan and stockbroking businesses in India, Australia and New Zealand.

The principal product lines currently offered by ABN AMRO in Asia and the Middle East are mass market retail banking, affluent banking, under the Van Gogh brand, and credit cards. ABN AMRO has about 3.5 million retail customers in the region, including about 100,000 Van Gogh customers and approximately 3 million credit cards, which are mainly in Taiwan and India, with smaller portfolios in Singapore, Indonesia, Hong Kong and United Arab Emirates.

The Company believes that there are attractive opportunities for growth, building on ABN AMRO's established infrastructure to support retail activities in countries with large populations and high growth rates. However, the Company notes that the retail businesses in Asia, the Middle East and Europe are thinly spread across many countries. The Company estimates that ABN AMRO's retail businesses in Asia, the Middle East and Europe together generated income of €607 million and profit before tax of €88 million in 2006, on an IFRS basis. Because of limited scale, some of these retail businesses may have relatively high operating costs and customer acquisition costs, and so lack competitive advantage.

After completion of the Offer, the Company will analyse the retail activities country by country. The Company expects to focus on growing significant retail businesses in selected ABN AMRO countries. Factors affecting the selection of countries will include competitive advantage and scalability of the

(1) Excluding ABN AMRO's 40 per cent. stake in Saudi Hollandi which, although reported in Business Unit Asia, will be included in the Shared Assets.

existing operations, economic growth rates and the competitive and regulatory environment for financial services. The Company also expects to focus on affluent banking and credit cards, products where the Company is strong in the United Kingdom and has significant activities outside the United Kingdom, and products likely to appeal to growing numbers of affluent customers in these high growth economies. The existing infrastructure supporting current accounts provides the possibility of a broader product Offering.

The Company will seek to exit retail businesses not having critical mass or credible growth prospects. The Company has not at this stage included any specific initiatives and transaction benefits in its overall estimates of revenue benefits and cost savings.

### **Selected Definitions**

**“ABN AMRO ADSs”** means the ABN AMRO American depositary shares, each of which represents one ABN AMRO ordinary share;

**“ABN AMRO Group”** refers to ABN AMRO and its subsidiaries;

**“ABN AMRO ordinary shares”** means the ordinary shares, nominal value of €0.56 per share, of ABN AMRO;

**“Bank of America Agreement”** refers to the Purchase and Sale Agreement, dated as of 22 April 2007, between Bank of America and ABN AMRO Bank in respect of ABN AMRO North America Holding Company, the holding company for LaSalle Bank Corporation, including the subsidiaries LaSalle N.A. and LaSalle Midwest N.A., including any amendment thereto;

**“Consortium and Shareholders’ Agreement”** refers to the consortium and shareholders’ agreement entered into by the Consortium Banks and RFS Holdings;

**“Consortium Banks”** means Fortis, the Company and Santander, collectively, and, if the context so requires, their affiliates and RFS Holdings; and **“Consortium Bank”** means any of them individually;

**“Fortis”** means Fortis N.V. and Fortis SA/NV and the group of companies owned and/or controlled by Fortis N.V. and Fortis SA/NV;

**“Offer”** means the offer by RFS Holdings open to all holders of ABN AMRO ordinary shares who are located outside of the United States, the offer by RFS Holdings open to all holders of ABN AMRO ordinary shares who are U.S. holders (within the meaning of Rule 14d-1(d) under the Securities Exchange Act of 1934, as amended) and the offer by RFS Holdings open to all holders of ABN AMRO ADSs, wherever located;

**“RBSG ordinary shares”** means the ordinary shares, nominal value £0.25 per share, of the Company;

**“RFS Holdings”** means RFS Holdings B.V.;

**“Santander”** means Banco Santander Central Hispano, S.A.; and

**“Transaction”** means the proposed acquisition by RFS Holdings of ABN AMRO pursuant to the Offer and the reorganisation of ABN AMRO and its subsidiaries following completion of the Offer as further described in the New Shares Prospectus.

## DIRECTORS

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

<u>Name</u>	<u>Functions within the Group</u>	<u>Principal outside activity (if any) of significance to the Group</u>
<b>Chairman</b>		
Sir Thomas Fulton Wilson McKillop	Chairman	Formerly Chief Executive, AstraZeneca PLC.
<b>Executive Directors</b>		
Sir Frederick Anderson Goodwin	Group Chief Executive	—
John Alistair Nigel Cameron	Chief Executive, Corporate Markets	—
Lawrence Kingsbaker Fish	Chairman, Citizens Financial Group, Inc.	—
Mark Andrew Fisher	Chief Executive, Manufacturing	—
Gordon Francis Pell	Chief Executive, Retail Markets	—
Guy Robert Whittaker	Group Finance Director	—
<b>Non-Executive Directors</b>		
Colin Alexander Mason Buchan	—	Formerly Head of Equities, UBS Warburg. He is currently Chairman of UBS Securities Canada Inc and Vice Chairman of Standard Life Investments (Holdings) Limited.
James McGill Currie	—	Formerly a Director General at the European Commission. He is currently Director of Total Upstream UK Limited and an international adviser to Eversheds.
William Michael Friedrich	—	Executive Director and Deputy Chief Executive, BG Group plc.
Archibald Sinclair Hunter	—	Chairman, Macfarlane Group plc and a director of Edinburgh US Tracker Trust plc.
Charles John Koch	—	Formerly Chairman, President and Chief Executive Officer of Charter One Financial, Inc.
Janis Carol Kong	—	Formerly Executive Chairman, Heathrow Airport and director of BAA plc. Currently a non-executive director of Kingfisher plc and Portmeirion Group plc.

<u>Name</u>	<u>Functions within the Group</u>	<u>Principal outside activity (if any) of significance to the Group</u>
Joseph Patrick MacHale	—	Formerly Chief Executive, JP Morgan Europe, Middle East and Africa Region. Currently the senior independent director and Chairman of the audit committee of Morgan Crucible plc, and a non-executive director and chairman of the remuneration committee of Brit Insurance Holdings plc.
Sir Steve Arthur Robson	—	Formerly second Permanent Secretary of HM Treasury. Non-executive director of JP Morgan Cazenove Holdings, Xstrata Plc and Partnerships UK plc.
Robert Avisson Scott	—	Formerly Group Chief Executive, CGNU plc. He is currently Chairman of Yell Group plc and non-executive director of Swiss Reinsurance Company (Zurich) and Jardine Lloyd Thompson Group plc.
Peter Denis Sutherland	—	Chairman, Goldman Sachs International and BP p.l.c.
<b>Company Secretary</b>		
Miller Roy McLean	Group Secretary and General Counsel	—

There are no potential conflicts of interest between the duties to RBSG of the directors of RBSG or the Company Secretary and their other principal activities as listed above or any of their private interests.

The business address for all the directors and the Company Secretary of RBSG is:

The Royal Bank of Scotland Group plc  
RBS Gogarburn  
PO Box 1000  
Edinburgh  
EH12 1HQ  
Scotland.

## CAPITALISATION OF THE GROUP

The following table shows the Group's authorised and allotted, called-up and fully paid share capital as at 30 June 2007.

	Allotted, Called-up and Fully Paid	Authorised
	£m	£m
Ordinary shares of £0.25 each .....	2,364	2,879
Non-voting deferred shares of £0.01 each .....	27	323
Additional value shares of £0.01 each .....	—	27
Preference shares .....	2	528

The authorised preference share capital of the Group as at 30 June 2007 was £528 million, consisting of 419.5 million non-cumulative preference shares of US\$0.01 each, 3.9 million non-cumulative convertible preference shares of US\$0.01 each, 66 million non-cumulative preference shares of €0.01 each, 3 million non-cumulative convertible preference shares of €0.01 each, 900 million non-cumulative convertible preference shares of £0.25 each, 1 million non-cumulative convertible preference shares of £0.01 each, 0.9 million cumulative preference shares of £1 each and 300 million non-cumulative preference shares of £1 each.

The allotted, called-up and fully paid preference share capital of the Group as at 30 June 2007 was £2 million, consisting of 244 million non-cumulative preference shares of US\$0.01 each, 1 million non-cumulative convertible preference shares of US\$0.01 each, 2.5 million non-cumulative 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.

The following table shows the unaudited consolidated shareholders' equity and indebtedness of the Group as at 30 June 2007 in accordance with International Financial Reporting Standards ("IFRS").

	As at 30 June 2007
	£m
<b>Shareholders' equity</b>	
Ordinary shares .....	2,364
Non-voting deferred shares .....	27
Preference shares .....	—
	2,391
Retained income and other reserves .....	39,153
<b>Total shareholders' equity</b> .....	<b>41,544</b>
<b>Group indebtedness</b>	
Subordinated liabilities .....	27,079
Debt securities in issue .....	95,519
<b>Total indebtedness</b> .....	<b>122,598</b>
<b>Total capitalisation and indebtedness</b> .....	<b>164,142</b>

Under IFRS, certain preference shares are classified as debt and are included in subordinated liabilities in the table above.

As at 30 June 2007, the Group had total liabilities and equity of £1,011 billion, including deposits by banks of £139 billion and customer accounts of £419 billion.

All of the indebtedness described above or below, except for approximately £31.3 billion of debt securities in issue, is unsecured. None of the indebtedness described above or below is guaranteed.

As at 30 June 2007, the Group had contingent liabilities including guarantees arising in the normal course of business totalling £20,629 million, consisting of guarantees and assets pledged as collateral security of £10,996 million and other contingent liabilities of £9,633 million.

On 6 July 2007, RBS redeemed its US\$350 million and US\$500 million floating rate subordinated notes, which were included under Subordinated liabilities in the table above.

On 17 July 2007, RBS redeemed its €130 million floating rate subordinated notes, which were included under Subordinated liabilities in the table above.

On 26 September 2007, the Company offered 15,000 non-cumulative dollar preference shares, Series U, with an aggregate liquidation preference of US\$1,500 million, which are expected to be issued on 4 October 2007.

On 26 September 2007, the Company offered 750,000 non-cumulative sterling preference shares, Series 1, with an aggregate liquidation preference of £750 million, which are expected to be issued on 4 October 2007.

On 26 September 2007, the Company offered C\$600 million in aggregate principal amount of tier 1 notes, which are expected to be issued on 4 October 2007.

On 26 September 2007, the Company offered US\$1,600 million in aggregate principal amount of preferred capital securities, which are expected to be issued on 4 October 2007.

On 27 September 2007, the Company issued 64,000,000 non-cumulative dollar preference shares, Series T, with an aggregate liquidation preference of US\$1,600 million.

Save as disclosed above, there has been no significant change in the contingent liabilities (including guarantees), total capitalisation and indebtedness of the Group since 30 June 2007.



## SELECTED FINANCIAL INFORMATION RELATING TO THE COMPANY

### Financial Information Prepared in accordance with International Financial Reporting Standards (“IFRS”)

The following tables summarise certain financial information of the Company as at and for its financial years ended 31 December 2006 and 31 December 2005 which have been extracted without material adjustment from the audited consolidated financial statements of the Company for the financial year ended 31 December 2006, which were prepared in accordance with IFRS. The tables also summarise certain financial information of the Company as at and for the six months ended 30 June 2007 and 30 June 2006 which have been extracted without material adjustment from the unaudited consolidated interim financial statements of the Company for the six months ended 30 June 2007.

	Year ended 31 December 2006	Year ended 31 December 2005	Six months ended 30 June 2007	Six months ended 30 June 2006
	£m	£m	£m	£m
Operating profit before tax .....	9,186	7,936	5,008	4,511
Tax .....	<u>2,689</u>	<u>2,378</u>	<u>1,272</u>	<u>1,387</u>
Profit for the period .....	<u>6,497</u>	<u>5,558</u>	<u>3,736</u>	<u>3,124</u>
		As at 31 December 2006	As at 31 December 2005	As at 30 June 2007
		£m	£m	£m
Called up share capital .....		815	826	2,391
Reserves .....		<u>39,412</u>	<u>34,609</u>	<u>39,153</u>
Shareholders' equity .....		40,227	35,435	41,544
Minority interests .....		5,263	2,109	4,914
Subordinated liabilities .....		<u>27,654</u>	<u>28,274</u>	<u>27,079</u>
Capital resources .....		<u>73,144</u>	<u>65,818</u>	<u>73,537</u>
			£bn	£bn
Deposits by customers and banks .....			516.4	453.3
Loans and advances to customers and banks .....			549.5	487.8
Total assets .....			<u>871.4</u>	<u>776.8</u>
				<u>1,011.3</u>

### *Dividend record of the Company*

	Year ended 31 December 2006	Year ended 31 December 2005	Six months ended 30 June 2007	Six months ended 30 June 2006
	£m	£m	£m	£m
Dividends on Preference Shares .....	<u>191</u>	<u>109</u>	<u>106</u>	<u>91</u>
Dividends on Ordinary Shares .....	<u>2,470</u>	<u>1,927</u>	<u>2,091</u>	<u>1,699</u>

Following the implementation of IAS 32 on 1 January 2005, several of the Company's preference share issues are now included in subordinated liabilities and the finance cost thereon is included in interest payable.

## UNITED KINGDOM TAXATION

*The comments set out below are intended only as a general guide to certain limited aspects of current UK tax law and HM Revenue and Customs (“HMRC”) practice that may be relevant to holders of Preference Shares. The comments do not apply to certain classes of holders, such as (i) dealers in securities, broker dealers, insurance companies and investment companies; (ii) investors who have (or are deemed to have) acquired Preference Shares by virtue of an office or employment; (iii) investors that do not hold the Preference Shares as capital assets; (iv) investors that own (or are deemed to own) 10 per cent. or more of the voting power of the Company; (v) investors that hold the Preference Shares as part of hedging or conversion transactions; or (vi) investors that hold the Preference Shares in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency, a permanent establishment or otherwise). Further, they do not constitute tax or legal advice. Any holders who are in doubt as to their personal tax position should consult their professional advisers.*

### General

*The following summarises certain UK tax consequences of the acquisition, holding and disposition of Preference Shares by a beneficial owner of Preference Shares.*

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

*These comments do not address any tax consequences that might arise in the event of the Substitution of any Preference Shares.*

### Taxation of Dividends

The Company will not be required to withhold tax at source when paying a dividend.

Individual holders of Preference Shares who are resident in the UK for tax purposes and who receive a dividend from the Company will generally be entitled to a tax credit (the “**Tax Credit**”) (which may be set off against such holder’s total income tax liability on the dividend) equal to 1/9th of the amount of the cash dividend (or 1/10th of the aggregate of the cash dividend and the Tax Credit (the “**Gross Dividend**”). Certain holders of Preference Shares who are not resident in the UK for tax purposes may also be entitled to the Tax Credit. These holders include Commonwealth citizens, EEA nationals and residents of the Isle of Man and the Channel Islands.

Individual holders of Preference Shares who are liable to UK income tax, other than at the higher rate, will be liable to tax on the Gross Dividend at the rate of 10 per cent. The Tax Credit will satisfy the whole of such holders’ income tax liability in respect of the dividend. Individual holders of Preference Shares who are not liable to income tax in the UK in respect of the Gross Dividend will not be entitled to repayment of the Tax Credit.

Individual holders of Preference Shares who are liable to UK income tax at the higher rate will be liable to tax on the Gross Dividend at the rate of 32.5 per cent. After taking into account the 10 per cent. Tax Credit, such individuals will be liable to pay additional UK income tax at the rate of 22.5 per cent. of the Gross Dividend. Individuals who are higher rate taxpayers will therefore pay UK income tax at an effective tax rate of 25 per cent. of the cash dividend received.

Corporate holders of Preference Shares (other than share dealers) will not normally be liable to UK corporation tax on any dividend received from the Company.

Holders of Preference Shares who are resident outside the UK for tax purposes will not generally be able to claim repayment of any part of the Tax Credit attaching to dividends paid by the Company, although this will depend on the existence and terms of any double tax treaty between the UK and the country in which the holder of Preference Shares is resident for tax purposes.

## **Taxation of Capital Gains**

The sale, or other disposal, of Preference Shares may give rise to the realisation of a gain for the purposes of UK taxation of chargeable gains.

An individual holder of Preference Shares who is resident or ordinarily resident in the UK for tax purposes and who realises such a gain may be liable to UK capital gains tax, depending on the holder's circumstances and subject to any available exemption or relief.

A corporate holder of Preference Shares who is resident in the UK for tax purposes and who realises such a gain may be liable to UK corporation tax on chargeable gains, depending on the holder's circumstances and subject to any available exemption or relief.

A holder of Preference Shares who is not resident in the UK for tax purposes and who carries on a trade in the UK through a branch or agency, or, in the case of a company, a permanent establishment, may be subject to UK capital gains tax or corporation tax on a disposal of Preference Shares which are used, held or acquired for the purposes of the branch, agency or permanent establishment, subject to any available exemption or relief. Special rules apply to individuals who are temporarily not resident or ordinarily resident in the UK.

## **Stamp Duty and Stamp Duty Reserve Tax**

Based on a current understanding of HMRC practice, it is expected that no UK stamp duty or stamp duty reserve tax ("SDRT") will be payable on the delivery of Preference Shares to Euroclear or Clearstream, Luxembourg. However, if this understanding proves to be incorrect, the Company will pay or procure payment of any such UK stamp duty or SDRT which becomes payable on such delivery of the Preference Shares.

Neither UK stamp duty nor SDRT will generally be payable on the transfer of a beneficial interest in the Preference Shares so long as the Global Certificate is held in Euroclear or Clearstream, Luxembourg.

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

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

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

## SUBSCRIPTION AND SALE

Under a subscription agreement (the “**Subscription Agreement**”) dated 2 October 2007 between the Company and Merrill Lynch International and The Royal Bank of Scotland plc (the “**Joint Lead Managers**”) and BNP Paribas and UBS Limited (the “**Senior Co-Managers**”) and Danske Bank A/S, Dexia Banque Internationale à Luxembourg, société anonyme, acting under the name of Dexia Capital Markets, Fortis Bank nv-sa and Banco Santander, S.A. (the “**Junior Co-Managers**”, and together with the Joint Lead Managers and the Senior Co-Managers, the “**Managers**”), the Company has agreed to issue, and the Managers have agreed jointly and severally to subscribe or procure subscribers for, the Preference Shares at an issue price of €50,000 per Preference Share. The Company has agreed to pay the Managers a combined management and underwriting commission of 1.0 per cent. of the aggregate liquidation preference of the Preference Shares. The Managers are entitled to terminate the Subscription Agreement in certain circumstances before the issue of the Preference Shares. The Subscription Agreement contains customary warranties and indemnities given by the Company to the Managers. In addition, the Company has agreed to reimburse the Managers for certain of their expenses.

### **Selling Restrictions**

#### *United States*

The Preference Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except in certain transactions exempt from the registration requirements of the Securities Act. Each Manager has represented and agreed that it has not offered or sold, and will not offer or sell any Preference Shares except in accordance with Rule 903 or Rule 904 of Regulation S. Terms used above have the meanings given to them by Regulation S under the Securities Act.

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

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

#### *United Kingdom*

Each Manager has represented, warranted and undertaken that:

- (a) *Financial promotion*: it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Preference Shares in circumstances in which section 21(1) of the FSMA does not apply to the Company; and
- (b) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Preference Shares in, from or otherwise involving the UK.

#### *General*

No action has been or will be taken in any jurisdiction by the Company or the Managers that would permit a public offering of the Preference Shares, or the possession or distribution of this Prospectus, or any amendment or supplement hereto, or any other offering material relating to the Preference Shares, in any country or jurisdiction where action for that purpose is required. Accordingly, the Preference Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material may be distributed or published, in or from any other country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

## GENERAL INFORMATION

### Consents

The issue of the Preference Shares has been authorised pursuant to resolutions passed at a meeting of the Board of Directors held on 16 September 2007. The terms of issue of the Preference Shares will be approved by a meeting of a Committee of the Board of Directors (the “Committee”) to be held prior to the Issue Date, such Committee having been appointed by the Board of Directors on 16 September 2007.

### Company’s Objects and Purposes

Clause 4 of the Company’s memorandum of association provides that its objects include the following: (i) carrying on the business of a holding company, (ii) to subscribe, enter into or tender for, purchase or otherwise acquire and to hold, dispose of and deal with the shares, stock, securities and evidence of indebtedness, (iii) to undertake on behalf of customers and others the investment, holdings and management, realisation and re-investment of moneys, securities, investments and property of every kind upon such terms as may be thought desirable and (iv) to do all such other things as may be deemed incidental or conducive to the attainment of the above objects or any of the objects of the Company.

### Listing

Application has been made for the Preference Shares to be listed on the Official List of the UK Listing Authority and to be admitted to trading on the Market of the London Stock Exchange.

### Significant or Material Change

There has been no significant change in the financial or trading position of the Company and its subsidiaries taken as a whole since 30 June 2007. There has been no material adverse change in the prospects of the Company since 31 December 2006.

### Litigation

Proceedings, including consolidated class actions on behalf of former Enron securities holders, have been brought in the United States against a large number of defendants, including the Group, following the collapse of Enron. The claims against the Group could be significant; the class plaintiff’s position is that each defendant is responsible for an entire aggregate damage amount less settlements — they have not quantified claimed damages against the Group in particular. The Group considers that it has substantial and credible legal and factual defences to these claims and it continues to defend them vigorously. A number of other defendants have reached settlements in the principal class action. The Group is unable reliably to estimate the possible loss to it in relation to these matters or the effect that the possible loss might have on the Group’s consolidated net assets or its operating results or cash flows in any particular period. In addition, pursuant to requests received from the US Securities and Exchange Commission and the Department of Justice, the Group has provided copies of Enron-related materials to these authorities and has co-operated fully with them.

On 27 July 2007, following discussions between the OFT, the Financial Ombudsman Service, the Financial Services Authority and all the major UK banks (including the Group) in the first half of 2007, the OFT issued proceedings in a test case against the banks, including the Group, to determine the legal status and enforceability of certain charges relating to unauthorised overdrafts. The Group maintains that its charges are fair and enforceable and intends to defend its position vigorously. The Group cannot predict with any certainty the outcome of the test case and is unable reliably to estimate the liability, if any, that may arise or its effect on the Group’s consolidated net assets, operating results or cash flows in any particular period. See the seventh paragraph of “Risk Factors — Risks Related to the Group’s Business — Governmental policy and regulation may have an adverse effect on the Group’s results” for further details.

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 Group has reviewed these other actual, threatened and known potential claims and proceedings and, after consulting with its legal advisers, is satisfied that the outcome of these other claims and proceedings will not have a material adverse effect on its consolidated net assets, operating results or cash flows in any particular period.

Save as described in the first and second paragraphs above, neither the Company nor any of its subsidiaries have been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months prior to the date hereof, which may have or have had in the recent past a significant effect on the financial position or profitability of the Company or its subsidiaries.

### **Auditors**

The consolidated financial statements of the Company for the years ended 31 December 2006 and 31 December 2005 have been audited by Deloitte & Touche LLP, Chartered Accountants (authorised and regulated by the Financial Services Authority for designated investment business).

The financial information contained in this Prospectus in relation to the Company does not constitute the Company's statutory accounts. Statutory accounts for the years ended 31 December 2006 and 31 December 2005 have been delivered to the Registrar of Companies in Scotland. Deloitte & Touche LLP has reported on such statutory accounts and such reports were unqualified and did not contain a statement under Section 237 of the Companies Act 1985.

### **Available documents**

For so long as any Preference Share remains outstanding, copies of the following documents will, when available, be available during business hours on a weekday (Saturdays, Sundays and public holidays excepted) for inspection at the principal office of the Company at RBS Gogarburn, PO Box 1000, Edinburgh EH12 1HQ, free of charge:

- the memorandum and articles of association of the Company;
- the audited consolidated annual financial statements of the Company for the financial years ended 31 December 2006 and 31 December 2005 together in each case with the audit report thereon;
- the unaudited consolidated interim financial statements of the Company for the six months ended 30 June 2007 together with the review report thereon;
- the New Shares Prospectus and the Circular to Shareholders;
- the written consents (if any) of the holders of the Preference Shares referred to under "Description of the Preference Shares — Variation of Rights" above; and
- the Agency Agreement.

### **Clearing and Settlement Systems**

The Preference Shares have been accepted for clearance through the facilities of Euroclear and Clearstream, Luxembourg. The ISIN for the Preference Shares is XS0323734961 and the Common Code for the Preference Shares is 32373496.

The Company 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 the relevant transaction.

### **Trading in the Clearing Systems**

The Preference Shares are equity shares in the capital of the Company, each with a nominal value of €0.01 and a premium of €49,999.99, giving a liquidation preference of €50,000 per Preference Share. Interests in the Preference Shares will be traded between participants in Euroclear and Clearstream, Luxembourg. Notwithstanding that the Preference Shares are equity securities, the Company understands that trading of the Preference Shares between participants in Euroclear and Clearstream, Luxembourg will be effected in the manner customary for debt securities with a denomination of €50,000.

## **Notices**

The Company will cause a notice of any meeting at which holders of Preference Shares are entitled to attend and vote to be mailed to each holder of Preference Shares. Each such notice will state:

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

A holder of Preference Shares in registered form who is not registered with an address in the UK and who has not supplied an address within the UK to the Company for the purpose of notices is not entitled to receive notices of meetings. In addition, notices to holders of the Preference Shares, including notices for general meetings of holders of the Preference Shares, will (for so long as the Preference Shares are in the form of the Global Certificate) be published in accordance with the operating procedures for the time being of Euroclear and Clearstream, Luxembourg. For so long as any Preference Shares are represented by a share warrant to bearer in definitive form, such notices will be published in English in a leading newspaper (which is expected to be the *Financial Times*) having general circulation in Europe that is published on each business day in morning editions, whether or not it is published on Saturday, Sunday or holiday editions. In addition, for so long as any of the Preference Shares are listed on any stock exchange, such notices will be published in accordance with the requirements (if any) of such stock exchange.

## **Managers transacting with the Company**

Certain of the Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to, the Company and its affiliates in the ordinary course of business.

## **Trading expenses**

The total expenses related to the admission to trading of the Preference Shares are £4,725.

## THE COMPANY

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### *Principal Office*

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## MANAGERS

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DK-1092 Copenhagen K  
Denmark

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## LEGAL ADVISERS TO THE COMPANY

### *As to English law*

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## LEGAL ADVISERS TO THE MANAGERS

### *As to English law*

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## PAYING AND SETTLEMENT AGENT

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England

## AUDITORS

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