

Renaissance Acquisition Corp.
Form 10-Q
May 15, 2007

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934.

For the quarterly period ended March 31, 2007

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934.

For the transition period from _____ to _____.

Commission file number 001-33258

RENAISSANCE ACQUISITION CORP.

(Exact Name of Registrant as Specified in its Charter)

Delaware

20-4720414

(State or Other Jurisdiction of

(I.R.S. Employer

Incorporation or Organization)

Identification No.)

50 E. Sample Road, Suite 400
Pompano Beach, FL 33064

(Address of Principal Executive Offices)

(954) 784-3031

(Registrant's Telephone Number, Including Area Code)

Indicate by check whether the registrant: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes

No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes

No

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 21,840,000 shares issued and outstanding as of April 30, 2007.

RENAISSANCE ACQUISITION CORP.

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PART I.
FINANCIAL INFORMATION

Item 1. **Financial Statements**

RENAISSANCE ACQUISITION CORP.
(A Development Stage Company)
BALANCE SHEETS

	<u>ASSETS</u>	
	December 31, 2006	March 31, 2007 (unaudited)
Current assets:		
Cash	\$ 60,165	\$ 360,954
Cash equivalents held in trust account available for operating purposes		354,304
Prepaid insurance		97,343
Prepaid expenses		2,295
Investment income receivable		261
Total current assets	60,165	815,157
Deferred offering costs	327,727	
Cash equivalents held in trust account		104,147,840
Total assets	\$ 387,892	\$ 104,962,997

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$	\$ 8,970
Accrued expenses	1,917	
Accrued offering costs	212,493	
Installment loan (current portion)		53,897
Notes payable to stockholder	150,000	
Total current liabilities	364,410	62,867
Long-term obligations:		
Long term portion of installment loan		33,420
Accrued underwriting costs		3,051,240
		3,147,529
Common stock subject to possible conversion,		
3,586,206 shares at conversion value		20,819,153
Commitments and contingencies (Note 3 and 7):		
		-
Stockholders' equity:		
Preferred stock - \$.0001 par value, none authorized at December 31,		-
2006; 1,000,000 shares authorized and none outstanding at March 31, 2007		
Common stock - \$.0001 par value, 6,000,000 shares authorized; 3,900,000		
Issued and outstanding as of December 31, 2006; 72,000,000 shares		

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authorized, 21,840,000 issued and outstanding (including 3,586,206 shares subject to possible conversion) as of March 31, 2007	390	2,184
Additional paid-in capital	24,610	80,508,869
(Deficit) Earnings accumulated during the development stage	(1,518)	485,264
Total stockholders' equity	23,482	80,996,317
Total liabilities and stockholders' equity	\$ 387,892	\$ 104,962,997

See notes to the financial statements.

RENAISSANCE ACQUISITION CORP.
(A Development Stage Company)
STATEMENTS OF OPERATIONS

	Three months ended March 31, 2007 (unaudited)	April 17, 2006 (inception) to March 31, 2007 (unaudited)
General and administrative expenses	\$ 67,681	\$ 69,679
Operating loss	(67,681)	(69,679)
Other income:		
Interest expense	(1,212)	(1,212)
Interest income	555,675	556,155
Income before provision for income taxes	486,782	485,264
Provision for income taxes	-0-	-0-
Net income	\$ 486,782	\$ 485,264
Net income per share:		
Basic	\$.03	
Diluted	\$.03	
Weighted average shares outstanding:		
Basic and Diluted	15,270,667	
	17,186,603	

See notes to the financial statements.

RENAISSANCE ACQUISITION CORP.
(A Development Stage Company)
STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	(Deficit)/ Earnings Accumulated During the Development Stage	Total Stockholders' Equity
Balance at April 17, 2006 (inception)	-	\$ -	-	\$ -	-
Sale of common stock to Founding stockholders	3,900,000	390	24,610	-	25,000
Net loss for the period	-	-	-	(1,518)	(1,518)
Balance as of December 31, 2006	3,900,000	390	24,610	(1,518)	23,482
Sale of private placement warrants	-	-	2,100,000	-	2,100,000
Sale of 15,600,000 units net of offering expenses	15,600,000	1,560	86,005,946	-	86,007,506
Sale of 2,340,000 units for over- allotment	2,340,000	234	13,197,366	-	13,197,600
Proceeds subject to possible conversion of 3,586,206 shares	-	-	(20,819,153)	-	(20,819,153)
Sale of unit purchase option	-	-	100	-	100
Net income for the period	-	-	-	486,782	486,782
Balance at March 31, 2007 (unaudited)	21,840,000	\$ 2,184	\$ 80,508,869	\$ 485,264	\$ 80,996,317

See notes to the financial statements.

RENAISSANCE ACQUISITION CORP.
(A Development Stage Company)
STATEMENTS OF CASH FLOWS

	Three months ended March 31, 2007 (unaudited)	April 17, 2006 (inception) to March 31, 2007 (unaudited)
Cash flows from operating activities:		
Net income	\$ 486,782	\$ 485,264
Changes in operating assets and liabilities:		
Prepaid expenses	(12,321)	(12,321)
Interest income receivable	(261)	(261)
Accounts payable and accrued liabilities	7,053	8,970
Net cash provided by operating activities	481,253	481,652
Cash flows from investing activities:		
Proceeds invested in trust account	(104,147,840)	(104,147,840)
Earnings on trust account	(553,632)	(553,632)
Trust earnings transferred to operating funds	199,328	199,328
Net cash used by investing activities	(104,502,144)	(104,502,144)
Cash flows from financing activities:		

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Proceeds from/(repayment of) Note payable to stockholder	(150,000)	-0-
Proceeds from sale of units, net	102,422,707	102,422,707
Proceeds from issuance or warrants	2,100,000	2,100,000
Proceeds from sale of common stock to initial stockholder	-	25,000
Payment of accrued offering costs	(51,027)	(166,261)
Net cash provided by financing activities	104,321,680	104,381,446
Net increase in cash	300,789	360,954
Cash at beginning of period	60,165	-0-
Cash at end of period	\$ 360,954	\$ 360,954

Supplemental cash flow disclosures:

Cash paid for:			
Interest	\$	(1,212)	\$ (1,212)
Income taxes	\$	-0-	\$ -0-

ABN AMRO has a large wholesale banking business with a global footprint across many countries. In addition to established positions with large numbers of customers, ABN AMRO is present in emerging markets through offices in 11 countries and 17 other countries in Latin America.

ABN AMRO is one of a small number of banks with the global reach and expertise in international cash management, payments and trade finance. Through these capabilities, we have been able to establish large numbers of corporate and institutional customers. Many of these relationships are relatively under-developed, reflecting ABN AMRO's focus on financing and risk management products which are most relevant and competitive in these markets.

In addition to its international activities with large corporate and institutional customers, ABN AMRO has strong relationships with mid-corporate customers in Continental Europe, Asia and Latin America.

ABN AMRO's Global Wholesale Businesses, which we will acquire, include the Global Clients Business Unit, or WCS, in 2005 (including the continuing business of WCS, the sale of LaSalle, and including the Netherlands, but excluding Brazil (other than the Netherlands) capabilities serving wholesale clients within its Global Markets and Transactions Business Unit. WCS customers were transferred to the regional Business Units, except for those customers of ABN AMRO's Global Clients Business Unit. In 2007, Global Clients customers

Business Units. We estimate that ABN AMRO's Global Wholesale Business before tax of \$630 million in 2006, on an IFRS basis.

Strategic Rationale

We believe that there is a strong strategic fit between our Global Banking and Global Wholesale Businesses. GBM has considerable strength across a broad range of products and in 2006 had what we believe to be an industry leading cost to serve ratios, relationships and strong income per customer metrics. However, while GBM has a strong presence in recent years, it still has limited presence outside major financial centers. The GBM's global network should enable GBM to accelerate this expansion relative to its current presence. GBM's global branch network and customer base would take a significant period of time to build.

ABN AMRO's considerable reach, through its global branch network, provides a strong platform for international cash management and trade finance. ABN AMRO is also strong in derivatives, including equity derivatives and emerging markets. However, we believe that GBM's focus on important products has led to relatively weak income per customer and performance ratios for its Global Wholesale Businesses of 89% in 2006.

Our relationship-driven model and focus on deepening customer relationships is a key differentiator from our customers. GBM believes that this revenue generation is significantly higher than that from its Global Clients franchise. For these equivalent customer groups, GBM has a higher income per customer than ABN AMRO and more than 150% higher performance ratios than ABN AMRO.

We expect that we will be able to deepen customer relationships and increase revenue across ABN AMRO's extensive base of large and mid-corporate customer relationships. Our relationship-driven model in which relationship managers are enabled and empowered to sell products and services from debt capital markets to cash management. Our focus on deepening customer relationships and encourages a collaborative approach

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between relationship and product teams. The model is supported by clear incentives for collaboration, a focus on higher value added income streams and encourages the development of cross-product customer solutions.

In addition to the application of our relationship management model, GBM will benefit from ABN AMRO's customer franchise through leveraging its strengths in serving large corporate and institutional customers and which offer the highest value added in finance, risk management and securitization. GBM believes that it brings to the table areas that ABN AMRO currently lacks.

We expect that the combined business will have product leadership across all major markets benefiting from the complementary and overlapping product strengths of both companies. The combined business will rank third in all bonds and loans globally, first in global syndicated credits, first in international bonds, second in emerging markets syndicated credits, third in cash management. We also expect it to be a leading player in the global interest rate derivatives market with particular success in the distribution of sophisticated risk management products.

Ranking by Product(1)

GBM Strengths
Global All Bonds and Loans
Foreign Exchange
Global Securitizations
European Leveraged Loans
Global Project Finance
EMEA Syndicated Loans
ABN AMRO Strengths
Euro Denominated Bonds
International Covered Bonds
Emerging Markets Syndicated Credits
International Cash Management
GBM + ABN AMRO Strengths
All International Bonds
Asia-Pacific Syndicated Loans
U.S. Syndicated Loans

Notes:

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

(2) Combined estimates based on publicly available 2006 data.

We believe that the combined business will be well diversified by geography with a strong presence in Europe, the United States and Asia-Pacific, with a small contribution from other regions. We anticipate that the combined business will have considerable local presence in all major markets.

product offering.

In Europe, including the United Kingdom, we expect that the combined leading wholesale and fixed income bank. GBM will apply its relationship AMRO's extensive franchise in Continental Europe with large corporates international cash management, payments and trade finance products will c ABN AMRO's local presence is expected to enable GBM to extend from middle market, and to

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extend geographically into fast growing markets in Eastern Europe and the structured investor product capabilities and distribution platforms is anticipated with good prospects for growth in an expanding market.

In North America, GBM has been implementing a strategy with the objective to believe that the combination with ABN AMRO's Global Wholesale Business will enable the implementation of this strategy. The combined product strengths, including GBM's Capital, should enable the combined group to generate increased revenues and operating bases. We believe the business will be positioned to build on the combined strengths of ABN AMRO in consumer products, retail, healthcare, industrials, energy and utilities and GBM's strengths in real estate financing to create a leading business in this area. In addition, GBM's large corporate and institutional franchise in the United States, the combined strengths of ABN AMRO's range of financial and risk management solutions to mid-corporate customers and GBM's

In Asia, we believe that the combined GBM and ABN AMRO wholesales will enable the combined group to become a significant regional corporate bank. As in the United States and Europe, the combined strengths of ABN AMRO's current customer franchise by applying GBM's business strengths and infrastructure in key markets with strong growth will enable GBM to accelerate its growth with customers in India, South Korea and Taiwan. In addition, there is a significant overlap between ABN AMRO's emerging markets and equity derivatives products for GBM's customers and

In Latin America, ABN AMRO has established a presence and customer relationships. GBM will seek to deepen these relationships, in particular by leveraging GBM's strengths in consumer products. GBM had significant success in developing customer relationships in Iberia, and the combined strengths of GBM and ABN AMRO in Latin America will enable it to support these customers' activities in the region.

We estimate that the combined business will be the third largest corporation in the world globally by fixed income revenues (revenues from all areas except M&A and other non-financial businesses). Based on 2006 data, GBM will rank first in the United Kingdom and 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 road map for the integration of GBM's Wholesale Businesses. GBM will follow the Group's established integration process for product and customer-facing activities, retaining the best talent from each organization and leveraging their merit and competencies, creating single global platforms and creating the combined group's leading efficiency ratios.

The integration of GBM and ABN AMRO's Global Wholesale Business will be led by many who were actively involved in the integration of National Westminster Bank's

During the first 45 days after completion of the Offer, GBM will work to understand and expand the information received and assumptions made on the basis of the Offer. By day 45, we intend to have validated a baseline of information that 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. ABN AMRO's progress in aligning the cash equities business to support its enlarged

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Transaction Benefits

GBM believes that it will be able to generate significantly higher revenue by leveraging the combined businesses' enhanced product strengths and by also believe that it will also be able to achieve substantial cost savings through synergistic activities. GBM believes that it will be able to reduce the cost to income ratio from 89% in 2006 to under 65% in the third year after completion of the Offer.

GBM expects to deliver transaction benefits which will increase GBM's revenue after completion of the Offer. Of this total, GBM estimates that cost savings of \$481 million and revenue benefits (after associated costs and impairment losses, and allowing for

GBM will focus on deepening customer relationships and increasing revenue from ABN AMRO's large and mid-corporate customer base. To achieve this, GBM will use techniques which have enabled it to deliver strong revenue per customer and an income ratio of 40% in 2006. At the same time, we anticipate having strong relationships in and trade finance, equity derivatives and emerging markets to offer to our customers.

There is some overlap between our customer franchises and those of ABN AMRO. However, due to the complementary product propositions of the two businesses, we have been conservative allowances for these potential revenue losses have been made.

As set forth in the table below, the expected net revenue benefits of the Offer represent 8% of ABN AMRO's relevant 2006 revenues.

Global Banking

Global Markets

Transaction Banking

Overall Estimated Impact on Profit Before Tax

The combination of GBM and ABN AMRO's Global Wholesale Business is expected to be achieved, as we implement a single business architecture. Cost savings will be achieved through the consolidation of information technology platforms and supporting infrastructure. Our existing infrastructure is shared for the majority of products and functions, but it is expected that the information technology infrastructure of ABN AMRO's cash management and trade finance business, as a core strength of the business, will be maintained.

Further cost savings are expected to be achieved by streamlining combined operations, reducing human resources and other support areas, and through procurement and purchasing synergies. Savings will be achieved by bringing in-house certain operations which ABN AMRO currently outsources.

Additional cost savings are expected to be achieved by the elimination of certain support functions, as trading activities are consolidated into regional centers, while other activities are maintained.

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The expected cost savings resulting from these initiatives amount to \$1.1 billion in the Offer, representing 24% of ABN AMRO's relevant 2006 expenses. The following cost savings are set out below:

Front Office
Information Technology and Operations
Functional Support
Procurement and Property

Total Estimated Cost Savings

After allocating the support cost savings to the main business grouping of global corporate and institutional businesses and \$350 million from mid-corporate 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, offering cash management, payments and trade finance businesses for commercial and institutional clients in retail banking, although generally only on a limited scale.

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

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 100 locations. The branches in India are in major conurbations across the country, with three in Mumbai. In United Arab Emirates the network is focused on key locations.

ABN AMRO also has a presence in Mainland China, with 11 branches. In Europe, ABN AMRO has 12 branches (excluding Prime Bank, which will be included in the Offer), offering retail businesses in Spain, Romania and Kazakhstan and stockbroking businesses in the UK.

The principal product lines currently offered by ABN AMRO in Asia and the Middle East are affluent banking, under the Van Gogh brand, and credit cards. ABN AMRO has a strong presence in the region, including about 100,000 Van Gogh customers and approximately 3 million credit cards in India, with smaller portfolios in Singapore, Indonesia, Hong Kong and Taiwan.

We believe that there are attractive opportunities for growth, building on the existing support retail activities in countries with large populations and high growth rates. Retail businesses in Asia, the Middle East and Europe are thinly spread across many countries. Retail businesses in Asia, the Middle East and Europe together generated income of \$1.1 billion in 2006, on an IFRS basis. Because of limited scale, some of these retail businesses lack economies of scale and customer acquisition costs, and so lack competitive advantage.

- (1) Excluding ABN AMRO's 40% stake in Saudi Hollandi which, although included in the Shared Assets.

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After completion of the Offer, we will analyze the retail activities of significant retail businesses in selected ABN AMRO countries. Factors affecting competitive advantage and scalability of the existing operations, economic environment for financial services. We also expect to focus on affluent banks strong in the United Kingdom and have significant activities outside the U.S. growing numbers of affluent customers in these high growth economies. This accounts provides the possibility of a broader product offering.

We will seek to exit retail businesses not having critical mass or credibility. We included any specific initiatives and transaction benefits in its overall estimate.

Unaudited Pro Forma Condensed Combined Financial Information

Introduction

The proposed acquisition of ABN AMRO is to be made by RFS Holdings and Santander. RFS Holdings will be owned 38.3% by RBSG, 33.8% by Fortis. RBSG is accounted for as a subsidiary of RBSG as, although it does not have a majority of Directors.

The unaudited pro forma condensed combined financial information (the "pro forma balance sheet" as at June 30, 2007 (the "pro forma balance sheet") and income statement for the six months ended June 30, 2007 and the year ended December 31, 2006 (the "pro forma income statements") are published audited and unaudited financial statements of RBSG and ABN AMRO giving effect to the proposed sale of LaSalle by ABN AMRO to Bank of America on April 23, 2007.

Given that ABN AMRO has provided the Consortium Banks with only unaudited records, we did not have the information necessary to verify independently and therefore did not verify such adjustments and assumptions, with respect to the pro forma financial information set out below. See "Risk Factors" in the prospectus. We have included information included in this prospectus supplement or otherwise publicly available information on the impact of the Transaction on the pro forma financial information included in the prospectus. We believe the information is correct.

The pro forma balance sheet has been prepared after giving effect to the proposed acquisition of ABN AMRO by RFS Holdings using the purchase method of accounting and applying the estimates and assumptions set forth in the accompanying notes. The pro forma income statements have been prepared after giving effect to the proposed acquisition of ABN AMRO by RFS Holdings and the reorganization of businesses that will be included in the reorganization (the "Reorganization").

The Reorganization will comprise the agreed sale of certain businesses and the probable sale of the non-strategic businesses to third parties.

Due to the limited information publicly available regarding the allocation of ABN AMRO business segments that will be included in the reorganization, a pro forma balance sheet consistent with the pro forma income statements.

IFRS vary in certain significant respects from U.S. GAAP. Information on the differences for the six months ended June 30, 2007 and the year ended December 31, 2006 is included in the pro forma financial information. As no information is publicly available regarding the differences between IFRS and U.S. GAAP related to ABN AMRO to each of its businesses included in the Reorganization, a pro forma reconciliation to U.S. GAAP cannot be prepared for the pro forma financial statements.

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The pro forma financial information has been prepared on the following

Only publicly available information for ABN AMRO has been used.

The purchase consideration has been calculated assuming that 100% of the shares (including ABN AMRO ordinary shares represented by ABN AMRO Holdings).

The proposed sale of LaSalle to Bank of America Corporation is completed by RFS Holdings.

The balance sheet – the unaudited consolidated balance sheets of RBSG in accordance with IFRS have been combined as if the proposed acquisition occurred on June 30, 2007. No pro forma adjustments have been recorded to be transferred to Fortis and Santander or the non-strategic businesses. The sufficiently detailed segmental balance sheet data to enable such pro forma

The income statements – the unaudited income statements of RBSG and ABN AMRO for 2007 and the audited income statements of RBSG and ABN AMRO for 2006 in accordance with IFRS have been combined as if the proposed acquisition and Reorganization had occurred on January 1, 2006.

The pro forma financial information reflects appropriate adjustments to ABN AMRO and other estimates to account for the disposal of LaSalle. In the case of the pro forma income statements, the Reorganization. If the ABN AMRO and the Reorganization occur, the final determination of these estimates will be the pro forma financial information.

These estimates include:

The cash proceeds receivable from Bank of America Corporation in respect of the sale of LaSalle, adjusted in accordance with the terms of the agreement governing the sale.

The costs expected to be incurred as part of the proposed acquisition, including the funding the cash element of its consideration.

The fair value of consideration to be given, including RBSG's shares, debt schemes and of assets acquired and liabilities assumed, as disclosed in the Offer. Potential synergy benefits have been excluded.

The presentation currency of the group is pounds sterling. Any change in the presentation currency which the Offer is declared unconditional may also result in material changes to the pro forma financial information.

The pro forma financial information is presented for information purposes only. It does not represent operations would actually have been, had the acquisition occurred on the date of the acquisition or operations for any future period.

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IFRS Basis**

	RBSG(1)	ABN AMRO(2)	Dis LaS
	(£m)	(£m)	(\$m)
Assets			
Cash and balances at central banks	4,080	9,755	
Loans and advances to banks	92,037	123,468	
Loans and advances to customers	503,197	297,599	
Treasury bills and other eligible bills, debt securities and equity shares	163,531	155,072	
Intangible assets	18,868	4,808	
Property, plant and equipment	18,185	2,558	
Derivatives	183,313	81,056	
Other assets	28,055	79,983	
Total assets	1,011,266	754,299	
Liabilities			
Deposits by banks	139,415	171,257	
Customer accounts	419,317	238,575	
Debt securities in issue	95,519	128,736	
Settlement balances and short positions	71,969	28,442	
Derivatives	183,461	79,114	
Subordinated liabilities	27,079	9,904	
Other liabilities	28,048	80,203	
Total liabilities	964,808	736,231	
Net assets	46,458	18,068	
Equity			
Minority interests	4,914	1,447	
Shareholders equity	41,544	16,621	
Total equity	46,458	18,068	

(1) The financial information for RBSG has been extracted from the unaudited financial statements of RBSG as at June 30, 2007 included in its 2007 Current Report on Form 6-K.

- (2) The financial information for ABN AMRO has been extracted from the financial statements for the three months ended June 30, 2007 published by ABN AMRO in its 2007 interim financial statements. The data have been reformatted, to the extent possible, to RBSG's balance sheet format.
- (3) See Notes to Pro Forma Condensed Combined Financial Information.
- (4) See Notes to Pro Forma Condensed Combined Financial Information.

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IFRS Basis**

	RBSG(1)	ABN AMRO(2)	Acquisition Adjustments(3)	Notes(4)	Pro forma Total
	(£m)	(£m)	(£m)		(£m)
Continuing operations					
Net interest income	5,383	3,099	(246)	(h)	8,236
Net fee and commission income	2,672	1,938			4,610
Income from trading activities	1,875	1,309			3,184
Other operating income (excluding insurance premium income)	1,712	743			2,455
Income of consolidated private equity holdings		1,878			1,878
Insurance premium income less reinsurers share	3,048				3,048
Non-interest income	9,307	5,868			15,175
Operating income	14,690	8,967	(246)		23,411
Operating expenses	6,396	6,954			13,350
Profit before other operating charges and impairment losses	8,294	2,013	(246)		10,061
Insurance claims less reinsurers share	2,415				2,415
Impairment losses	871	598			1,469
Operating profit before tax	5,008	1,415	(246)		6,177

Tax	1,272	291	(74)	(j)	1,489
Profit from continuing operations, net of tax	3,736	1,124	(172)		4,688
Profit attributable to:					
Minority interests	75	37	718		830
Preference shareholders	106		122	(k)	228
Ordinary shareholders	3,555	1,087	(1,012)		3,630
	3,736	1,124	(172)		4,688
Per 25p ordinary share (pence)					
Continuing operations					
Basic	37.6				36.3
Fully-diluted	37.3				36.0
Number of shares (million)					
Weighted average ordinary shares	9,443				9,997
Weighted average diluted ordinary shares	9,605				10,159

- (1) The financial information for RBSG has been extracted from the unaudited financial statements for the six months ended June 30, 2007 included in its 2007 Current Report on Form 6-K.
- (2) The financial information for ABN AMRO has been extracted from the unaudited financial statements for the six months ended June 30, 2007 published by ABN AMRO in its 2007 interim financial statements. The data have been reformatted, to the extent possible, to RBSG income statement presentation.

ABN AMRO disclosed sufficient information in its Annual Report on Form 10-K for the year ended December 31, 2006 of ABN AMRO and businesses to be transferred to RBSG's income statement line item presentation. No equivalent adjustment was made for the six months ended June 30, 2007.

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ended June 30, 2007 as ABN AMRO did not disclose comparable information.

- (3) As the LaSalle results were presented as discontinued operations by ABN AMRO, the results of the disposal of LaSalle has not been shown separately in the columnar presentation of the Pro Forma Condensed Combined Financial Information. See Note 2.
- (4) See Notes to Pro Forma Condensed Combined Financial Information.
- (5) The pro forma income statement reflects the Reorganization and has been prepared based on the information published in ABN AMRO's 2007 interim Form 6-K without adjustment.
- (6) Businesses to be transferred to Fortis and Santander include Business Unit Private Clients, Business Unit Asset Management, Business Unit Wholesale Clients (excluding clients businesses other than in Brazil) and Antonveneta. Global Clients in the Netherlands and Latin America (excluding Brazil) are to be retained by ABN AMRO. The results of these businesses cannot be separately identified from the information disclosed in ABN AMRO's 2007 interim Form 6-K. Therefore the results of these businesses are included in Businesses to be transferred for the purposes of the pro forma information.
- (7) Shared Assets to be disposed of comprises Business Unit Private Equity.
- (8) Businesses to be retained by RBSG and forming part of pro forma enlarged RBSG include Business Unit Asia (excluding Saudi Hollandi and Antonveneta), and Global Clients and wholesale clients businesses in Brazil. The results attributable to Saudi Hollandi and Prime Bank, not separately identified from the information disclosed in ABN AMRO's 2007 interim Form 6-K, are included within pro forma enlarged RBSG. The results attributable to the Netherlands and Latin America (excluding Brazil) cannot be separately identified from the information disclosed in ABN AMRO's 2007 interim Form 6-K and hence are included in Business Unit Private Equity. This presentation is solely for the purposes of the pro forma information.

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Table of Contents**Unaudited Pro Forma Condensed Combined Income Statement for the period ended June 30, 2019, on an IFRS basis**

	ABN RBSG(1)	Disposal of AMRO(2)	Acquisition of LaSalle(3)	Adjustments(4)	Notes
	(£m)	(£m)	(£m)	(£m)	
Continuing operations					
Net interest income	10,596	6,654	(1,441)	(383)	(h)
Net fee and commission income	5,194	4,132	(428)		
Income from trading activities	2,675	2,584	(46)		
Other operating income (excluding insurance premium income)	3,564	1,988	(292)		
Income of consolidated private equity holdings		3,621			
Insurance premium income less reinsurers share	5,973	868			
Non-interest income	17,406	13,193	(766)		
Operating income	28,002	19,847	(2,207)	(383)	
Operating expenses	12,480	14,118	(1,394)	(396)	(i)
Profit before other operating charges and impairment losses					
	15,522	5,729	(813)	13	
Insurance claims less reinsurers share	4,458	1,007			
Impairment losses	1,878	1,264	(42)		
Operating profit before tax	9,186	3,458	(771)	13	
Tax	2,689	615	(158)	(4)	(j)
Profit from continuing operations, net of tax	6,497	2,843	(613)	17	
Profit attributable to:					

Minority interests	104	44	(14)	1,791	
Preference shareholders	191			246	(k)
Ordinary shareholders	6,202	2,799	(599)	(2,020)	
	6,497	2,843	(613)	17	

Per 25p ordinary share (pence)(6)

Continuing operations

Basic	64.9
Fully-diluted	64.4

Number of shares (million)

Weighted average ordinary shares	9,555
Weighted average diluted ordinary shares	9,729

(1) The financial information for RBSG has been extracted from the audited financial statements for the period ended December 31, 2006 included in its 2006 Annual Report on Form 20-F.

(2) The financial information for ABN AMRO has been extracted from the audited financial statements for the period ended December 31, 2006 published by ABN AMRO in its 2006 Annual Report on Form 20-F.

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Form 20-F. ABN AMRO financial statements data have been reformat statement line item presentation.

- (3) See Notes to Pro Forma Condensed Combined Financial Information
- (4) See Notes to Pro Forma Condensed Combined Financial Information
- (5) The pro forma income statement reflects the Reorganization and has been published in ABN AMRO's 2006 Annual Report on Form 20-F without
- (6) Businesses to be transferred to Fortis and Santander include Business Unit Business Unit Private Clients, Business Unit Asset Management, Business Unit Wholesale clients businesses other than in Brazil) and Antonveneta. Wholesale clients businesses in America (excluding Brazil) are to be retained by RBSG but the results of these businesses are separately identified from the information disclosed in ABN AMRO's 2006 Annual Report on Form 20-F and hence are included in Businesses to be transferred to Fortis and Santander in the pro forma information.
- (7) Shared Assets to be disposed of comprises Business Unit Private Equity
- (8) Businesses to be retained by RBSG and forming part of pro forma enlarged RBSG include Business Unit Global Clients, Business Unit Asia (excluding Antonveneta) and wholesale clients businesses in the Netherlands. Results attributable to Saudi Hollandi, a non-strategic business to be disposed of, are included in the information disclosed in ABN AMRO's 2006 Annual Report on Form 20-F and hence are included in Businesses to be transferred to Fortis and Santander for the purposes of the pro forma information.

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NOTES TO PRO FORMA CONDENSED COMBINED

1. Description of proposed acquisition and estimated pro forma pur

The pro forma financial information has been prepared on the basis of assumptions used to prepare the pro forma financial information (excluding those disclosed in Note 2) are:

The total estimated purchase price of the proposed acquisition in the amount of \$35.60 in cash and 0.296 RBSG ordinary shares for each ordinary share. Cash consideration paid of \$68,239 million (£45,956 million), including

The issue of 554 million RBSG ordinary shares. The fair value of the shares is based on the closing price of RBSG ordinary shares of £5.68 as listed on the London Stock Exchange on June 30, 2007.

ABN AMRO outstanding convertible financing preference shares of \$783 million (£527 million) and the formerly convertible preference shares of \$783 million (£527 million) at the closing price on April 20, 2007, for an aggregate consideration of \$1,566 million (£1,054 million).

ABN AMRO employee share options exercised as part of the acquisition. The fair value of the options is based on Note 44, Share-based payment plans, in ABN AMRO's 2006 Annual Report on Form 20-F as ABN AMRO interim Form 6-K did not contain comparable information. The fair value of the options is \$694 million (£459 million).

The ABN AMRO income statement for the six months ended June 30, 2007 is translated at an average exchange rate of 1.48223 (:£) and the ABN AMRO balance sheet at June 30, 2007 is translated at an average exchange rate of 1.4849 (:£) being the exchange rates used by RBSG for the six months ended June 30, 2007. The ABN AMRO income statement for the year ended December 31, 2006 is translated at an average exchange rate of 1.46714 (:£) being the exchange rate used by RBSG for the year ended December 31, 2006.

ABN AMRO's interim Form 6-K did not disclose the fair value of financial assets and financial liabilities. Accordingly, no adjustments have been made to reflect the fair value of financial assets and financial liabilities.

Retirement benefit liabilities have been adjusted to reflect their fair value as disclosed in the ABN AMRO 2006 Annual Report on Form 20-F as ABN AMRO's interim Form 6-K did not disclose the fair value of retirement benefit liabilities as of June 30, 2007 in its 2007 interim Form 6-K).

The fair value of property, plant and equipment and other non-financial assets has been adjusted to reflect their fair value as disclosed in the ABN AMRO 2006 Annual Report on Form 20-F as ABN AMRO's interim Form 6-K did not disclose the fair value of property, plant and equipment and other non-financial assets as of June 30, 2007 in its 2007 interim Form 6-K).

There is not sufficient publicly available information to split goodwill of the proposed acquisition. Accordingly, the allocation of goodwill is preliminary. The fair value of intangible assets has been carried out and consequently future results of operations may be affected. No intangible assets identified.

Tax rates have been applied to individual adjustments as considered to be appropriate for the adjustment.

Estimated pro forma allocation of purchase price of the proposed acquisition

For the purposes of this pro forma financial information, the proposed acquisition is accounted for using the purchase method of accounting in accordance with IFRS and U.S. GAAP. The fair value of the financial assets and financial liabilities at June 30, 2007. Consequently, with

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limited exceptions, this purchase price allocation is based on the historical liabilities as at June 30, 2007.

Based on initial estimates, and subject to changes upon completion of a preliminary allocation of the estimated purchase price is:

- Cash and balances at central banks
- Loans and advances to banks
- Loans and advances to customers
- Treasury bills and other eligible bills, debt securities and equity shares
- Property, plant and equipment
- Derivatives
- Other assets

Total assets

- Deposits by banks
- Customer accounts
- Debt securities in issue
- Settlement balances and short positions
- Derivatives
- Subordinated liabilities
- Other liabilities

Total liabilities

Net assets

- Estimated purchase consideration
- Less: Estimated fair value of net assets
 - Minority interests of ABN AMRO not acquired

Goodwill

If the proposed acquisition occurs, RBSG will undertake, after the close, a fair value assessment of the value of assets and liabilities acquired in order to estimate the value of goodwill. The results of the fair value assessment, will be amortized over their estimated useful life.

2. Disposal of LaSalle

The proposed acquisition is subject to an offer condition that prior to completion of the acquisition, an agreement for the sale of LaSalle to Bank of America Corporation has been entered into. The estimated effects of the disposal of ABN AMRO North America Holding Company, including the retail and commercial banking activities of LaSalle were based solely on the information provided in the ABN AMRO 2007 interim Form 6-K for the six months ended June 30, 2007. Unaudited Pro Forma Condensed Financial Statements furnished to the SEC.

ABN AMRO will receive cash consideration of U.S.\$21,000 million (€14,000 million) from Renaissance Acquisition Corporation as set out in the Purchase and Sale Agreement by and between ABN AMRO and Renaissance Acquisition Corporation dated April 22, 2007 and filed with the SEC by ABN AMRO on a Current Report on Form 10-Q. The cash consideration will be adjusted in accordance with the terms of the Bank of America LaSalle for the three months ended March 31, 2007 and the net income of Renaissance Acquisition Corporation for the period commencing on April 1, 2007 and concluding on the earlier of the date of the completion of the acquisition or the date of the

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December 31, 2007 is less than a pre-defined income threshold. No adjustment as no information on the performance of LaSalle is available.

The estimated effects of the disposal of LaSalle on the pro forma balance

The elimination of the LaSalle assets and liabilities at June 30, 2007, interim Form 6-K referred to above. These assets and liabilities were and Other liabilities as LaSalle was classified as held-for-sale.

The estimated cash proceeds of U.S.\$21,000 million (£10,469 million)

The estimated gain on sale of £7,734 million is based on the cash proceeds

LaSalle as disclosed in ABN AMRO's 2007 interim Form 6-K referred

The Bank of America Agreement also anticipates the conversion to equity U.S.\$6,148 million (£3,065 million) of loans which it currently extends to loans into equity is not included in the pro forma balance sheet or income statement information to conclude whether these loans were included in the LaSalle 2007 interim Form 6-K referred to above.

The LaSalle results for the six months ended June 30, 2007 were presented in its 2007 interim Form 6-K filed on July 30, 2007 and therefore no adjustment to operations in the pro forma condensed combined income statement for the effects of the disposal of LaSalle on the pro forma condensed combined income statement for 2006 consist of the elimination of the historical revenues and expenses presented in the IFRS income statement for the year ended December 31, 2006 of AANA Holdings. The pro forma Condensed Financial Statements referred to above.

No provision for taxation that may become payable on the sale of LaSalle is included as there is insufficient publicly available information to assess an impact.

The impact of the disposal of LaSalle as disclosed above and included in the pro forma financial information is based on publicly available information in the referred to documents and the disposal is not yet completed. The results related to the disposal of LaSalle should be read in conjunction with the pro forma financial information in the pro forma financial information Form 6-K furnished on July 30, 2007 and its Form 6-K furnished on April 30, 2007.

3. Acquisition adjustments

The acquisition adjustments included in the pro forma financial information for the acquisition was completed on June 30, 2007 for the balance sheet and on July 31, 2007 for the income statement.

ABN AMRO published fair values of financial assets and liabilities at June 30, 2007 in its Form 20-F but not as at June 30, 2007 in its 2007 interim Form 6-K. Consequently, the pro forma adjustments in respect of the fair value of financial assets and liabilities in the pro forma combined income statements.

Adjustments to the balance sheet reflect:

- (a) The recognition of estimated purchased goodwill of £29,546 million less the elimination of existing goodwill and other intangibles, £4,808 million, as disclosed in the pro forma financial information in the pro forma financial information Form 6-K. It is not possible separately to identify intangible assets acquired in the acquisition.

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- (b) Deferred tax adjustment in respect of the present value of ABN AMRO's tax liabilities, £116 million (see (e) below, calculated at an estimated tax rates applicable in the jurisdictions in which ABN AMRO operates in respect of intangible assets including goodwill, as disclosed in ABN AMRO's 2006 Annual Report on Form 20-F, £413 million. Data at December 31, 2006 were used as ABN AMRO's best estimate of the deferred tax asset in respect of intangible assets including goodwill. Data at June 30, 2007 may therefore differ from that at December 31, 2006.
- (c) Cash payable by RBSG on the proposed acquisition of ABN AMRO, £12,383 million, financed by the issuance of debt securities.
- (d) The purchase for cash of the outstanding convertible financing preference shares and the outstanding formerly convertible preference shares, £517 million.
- (e) (i) The purchase accounting adjustment related to the present value of ABN AMRO's net post-retirement employee benefit liability of £415 million necessary to reflect the fair value of plan assets, as disclosed in ABN AMRO's 2006 Annual Report on Form 20-F, £308 million. Data at December 31, 2006 were used as ABN AMRO's best estimate of the value of ABN AMRO's net post-retirement employee benefit liability in respect of intangible assets including goodwill were used as ABN AMRO's best estimate of the value of ABN AMRO's net post-retirement employee benefit liability. Data at June 30, 2007 may therefore differ from that at December 31, 2006.
- (f) Minority interests of Fortis and Santander in RFS Holdings.
- (g) Issuance of RBSG ordinary shares for £3,147 million and RBSG's 6.85% coupon rate of 6.85% (representing the estimated rate applicable to the debt securities issued on August 30, 2007) for £3,554 million less the elimination of ABN AMRO's deferred tax liability of £16,621 million and the estimated gain arising from the disposal of ABN AMRO's non-strategic businesses.

No balance sheet adjustments have been made to reflect the businesses' disposal of non-strategic businesses as ABN AMRO does not publish sufficient information in its 2007 interim Form 6-K to enable information related to these businesses to be included in the balance sheet.

Adjustments to the income statement reflect:

- (h) Interest payable of £246 million for the six months ended June 30, 2007 (and £246 million for the six months ended December 31, 2006) in respect of funding RBSG's investment in ABN AMRO of £12,114 million euro-denominated debt securities at an equivalent rate to the 3 month Euribor interest rate for the first half of 2007 (year ended December 31, 2006) (considered the appropriate market rate) plus related fees. Had the 3 month Euribor interest rate on August 30, 2007 been used in calculating the interest payable in respect of funding RBSG's investment in ABN AMRO for the six months ended June 30, 2007 and the year ended December 31, 2006, the interest payable would have been £604 million respectively.
- (i) Reversal of amortization of other intangible assets recorded on ABN AMRO's balance sheet separately from goodwill in the acquisition accounting, £378 million. This represents the present value of ABN AMRO's net post-retirement employee benefit liability as of December 31, 2006. ABN AMRO did not amortize this liability as of December 31, 2006.

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not disclose equivalent data for the six months ended June 30, 2007. Adjustments have been made for the six months ended June 30, 2007.

- (j) Current and deferred tax charges and credits relating to the adjustments are appropriate to the nature and jurisdiction of such adjustments.
- (k) Equity preference share dividends of £122 million for the six months ended December 31, 2006) relating to £3,554 million of euro-denominated preference shares with a coupon rate of 6.85% issued by RBSG to fund its investment in RFS Holdings. The coupon rate has been updated to reflect the estimated coupon rate as at August 31, 2007.
- (l) Earnings per share and weighted average number of RBSG shares outstanding for the two-for-one bonus issue of ordinary shares effected by RBSG on May 8, 2007.

4. Unaudited comparative historical and pro forma earnings per share

Earnings used for the basic pro forma combined earnings per share calculation are the earnings of ordinary shareholders of RBSG for the six months ended June 30, 2007 and the six months ended December 31, 2006.

The weighted average number of shares outstanding during the six months ended June 30, 2007 and the six months ended December 31, 2006 for the unaudited pro forma condensed combined income statement is the equivalent weighted average number of ordinary shares for RBSG following the two-for-one bonus issue of ordinary shares in issue during the year ended December 31, 2006 and the first half of 2007 by 554 million ordinary shares effected on May 8, 2007.

For illustrative purposes, earnings per share are calculated as if the ordinary shares issued in consideration for the proposed acquisition of ABN AMRO had occurred on the date of the acquisition. RBSG will issue 0.296 RBSG ordinary shares for each ABN AMRO ordinary share. The number of shares in issue during 2006 and the first half of 2007 by 554 million ordinary shares effected on May 8, 2007.

Earnings per share data on an IFRS basis

	For the six months ended June 30, 2007
	RBSG (£m)
Earnings from continuing operations	
Profit attributable to ordinary shareholders	3,555
Add back dividends on dilutive convertible non-equity shares	31
Diluted earnings attributable to ordinary shareholders	3,586
Number of ordinary shares	
Weighted average number of ordinary shares in issue during the year	9,443
Shares issued under proposed acquisition	9,443

Weighted average number of ordinary shares in issue following the proposed acquisition

Effect of dilutive share options and convertible non-equity shares	162
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Diluted weighted average number of ordinary shares in issue following the proposed acquisition	9,605
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5. Reconciliation to U.S. GAAP

Reconciliations of the unaudited pro forma combined profit attributable to the holders of the common stock and the unaudited pro forma combined net income available for ordinary shareholders for the six months ended June 30, 2007 and the year ended December 31, 2006 and pro forma combined shareholders' equity under U.S. GAAP as at June 30, 2007 are shown below. For more information on the adjustments, refer to Note 13 in the RBSG 2007 interim Form 6-K filed with the SEC on August 1, 2007, the RBSG 2006 Annual Report on Form 20-F, ABN AMRO's Form 6-K filed with the SEC on August 1, 2006, the ABN AMRO 2006 Annual Report on Form 20-F and the Reconciliation to U.S. GAAP in the Unaudited Pro Forma Condensed Financial Statements furnished to the SEC on August 1, 2007.

No adjustments have been made in the unaudited pro forma combined profit attributable to the holders of the common stock and equity reconciliations to reflect ABN AMRO's discontinued operations (e.g., the sale of the former ABN AMRO's insurance businesses to be transferred to Fortis or Santander or the non-strategic business units) as ABN AMRO does not publish sufficiently detailed data in its Form 6-K filed with the SEC on August 1, 2007, the RBSG 2007 interim Form 6-K filed with the SEC on August 1, 2007, the RBSG 2006 Annual Report on Form 20-F to enable IFRS to U.S. GAAP differences relating to these businesses. The reconciliations are not prepared on a continuing operations basis.

ABN AMRO published IFRS to U.S. GAAP adjustments for the year ended December 31, 2006 in its Form 6-K filed on April 25, 2007. Similar information for the six months ended June 30, 2007 is provided in ABN AMRO's Form 6-K filed on August 31, 2007. Therefore, in the pro forma reconciliations below, IFRS to U.S. GAAP adjustments for leasehold and property provisions and related tax effects (based on a tax rate of 25% as disclosed in ABN AMRO's Form 6-K filed on July 30, 2007) have been assumed to relate entirely to the year ended December 31, 2006. It is not possible to make similar

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assumptions for other adjustments. Consequently, pro forma combined U.S. ended June 30, 2007 may differ from the amounts presented here.

	RBSG	ABN AMRO	Dis
	(£m)	(£m)	La
Consolidated statement of income for the six months ended June 30, 2007			
Profit attributable to ordinary shareholders IFRS	3,555	1,461	
Adjustments in respect of:			
Acquisition accounting and intangibles	(28)	(8)	
Property revaluation and depreciation	(231)		
Leasehold property and restructuring provisions	(10)	(22)	
Loan origination	(22)		
Allowance for loan losses		(17)	
Pension costs	(102)	(35)	
Sale and leaseback transactions	(36)		
Long-term assurance business	(28)		
Financial instruments	(154)	(66)	
Derivatives and hedging	(234)	150	
Liability and equity	23		
Other	45	14	
Taxation	76	(20)	
Net income available to ordinary shareholders U.S. GAAP	2,854	1,457	
Earnings per share: Total U.S. GAAP (pence)			
Basic	30.2		
Fully-diluted	30.0		

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	RBSG	ABN AMRO
	(£m)	(£m)
<i>Consolidated statement of income for the year ended December 31, 2006</i>		
Profit attributable to ordinary shareholders		
IFRS	6,202	3,214
Adjustments in respect of:		
Acquisition accounting and intangibles	(62)	(583)
Property revaluation and depreciation	(470)	
Leasehold property and restructuring provisions	46	(109)
Loan origination	(91)	
Allowance for loan losses		(40)
Pension costs	(387)	(162)
Sale and leaseback transactions	(84)	
Long-term assurance business	(12)	
Financial instruments	196	(153)
Derivatives and hedging	(454)	770
Liability and equity	177	
Other	(31)	44
Taxation	410	35
Net income available to ordinary shareholders U.S. GAAP	5,440	3,016
Earnings per share: Total U.S. GAAP (pence)		
Basic	56.9	
Fully-diluted	56.6	

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	RBSG	ABN AMRO
	(£m)	(£m)
<i>Consolidated shareholders equity at June 30, 2007</i>		
Shareholders equity IFRS	41,544	16,621
Adjustments in respect of:		
Acquisition accounting and intangibles	431	3,014
Property revaluation and depreciation	(865)	
Leasehold property and restructuring provisions	74	19
Loan origination	497	
Allowance for loan losses		(372)
Pension costs	(168)	(434)
Sale and leaseback transactions	(116)	
Long-term assurance business	(87)	
Financial instruments	(2,399)	184
Derivatives and hedging	(54)	(94)
Liability and equity	1,493	517
Other	(33)	42
Taxation	775	(135)
Shareholders equity U.S. GAAP	41,092	19,362

Notes:

- (1) Adjustments to the pro forma profit attributable to ordinary shareholders ended June 30, 2007 (£2,020 million for the year ended December 31, equity IFRS of £17,654 million reflect acquisition adjustments under explained in Note 3, Acquisition adjustments.
- (2) U.S. GAAP adjustments previously reported by ABN AMRO relating pension costs together with their estimated related tax effects, are super adjustments.
- (3) Item 4A of ABN AMRO's Form 20-F/A for the year ended December states that ABN AMRO is in discussions with the SEC Staff with respect losses reconciling item. This reconciling item relates to LaSalle. Accounts have no impact on Pro forma Total presented above.
- (4) As set out in ABN AMRO's interim Form 6-K filed on August 31, 2007 adjustment on preference shares represents dividends on preference shares equity under U.S. GAAP. Accordingly, this adjustment does not affect

shareholders and has therefore been excluded from the net income reco

- (5) As the pro forma combined IFRS-U.S. GAAP shareholders' equity rec the assumption that the acquisition took place on that date, the adjustm shareholders' equity reconciliation have been eliminated.

Under IFRS and U.S. GAAP, on the acquisition of ABN AMRO, its id liabilities will be measured at fair value and the difference between the pur acquired, recorded as goodwill. There are differences in both the recogniti consideration between IFRS and U.S. GAAP. Any such differences in the equal and

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opposite difference in goodwill on acquisition recorded under IFRS and un
equity will be unaffected.

Earnings per share data on a U.S. GAAP basis

Earnings

Profit attributable to ordinary shareholders

Add back dividends on dilutive convertible non-equity shares

Diluted earnings attributable to ordinary shareholders

Number of ordinary shares

Weighted average number of ordinary shares in issue during the year

Shares issued under proposed acquisition

**Weighted average number of ordinary shares in issue following
the proposed acquisition**

Effect of dilutive share options and convertible non-equity shares

**Diluted weighted average number of ordinary shares in issue
following the proposed acquisition**

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Series T preference shares. The U.K. Companies Act 1985, as amended, (t in general terms, and subject to adjustment, accumulated realized profits le otherwise payable on any dividend payment date is not declared and/or pai in this paragraph, we will notify the holders of the Series T preference sha of the resolution referred to herein or, in the case of sub-clause (ii) hereof, formed. Each such notification shall specify the reasons why the relevant d

If dividends are to be paid but our distributable profits are, in the opini payment in full of dividends on any series of dollar preference shares on an full of all other dividends stated to be payable on such date on any other no share capital expressed to rank *pari passu* therewith as regards participatio aside of a sum to cover the payment in full, of all dividends stated to be pa preference share, then the board of directors shall (subject always to sub-cl declare and pay dividends to the extent of the available distributable profit aforesaid) the amount of dividends declared per share on the Series T prefere on such date on any other non-cumulative preference shares and any other therewith as regards distribution of profits will bear to each other the same Series T preference shares and other non-cumulative preference shares, and *passu* therewith as regards participation in profits, bear to each other.

Dividends on our currently outstanding cumulative preference shares, i dividends on the Series T preference shares, and as a result, we may not pa unless we have declared and paid in full dividends on such currently outsta arrears.

To the extent that any dividend on the Series T preference shares is, on reason of the exercise of the board of directors' discretion referred to in su holders of Series T preference shares or Series T ADSs shall have no claim non-payment shall not prevent or restrict (a) the declaration and payment o shares or on any of our non-cumulative preference shares expressed to rank (b) the setting aside of sums for the payment of dividends referred to in (a) the redemption, purchase or other acquisition of our shares by us, or (d) ex setting aside of sums, or the establishment of sinking funds, for any such re

If we have not declared and paid in full the dividend stated to be payab the board of directors' discretion referred to in sub-clause (i) of the second purchase or otherwise acquire for any consideration any of our share capita may not set aside any sum nor establish any sinking fund for the redemptio time as we have declared and paid in full dividends on the Series T prefere periods together aggregating no less than 12 months. In addition, no divid capital ranking after the Series T preference shares as to dividends until su Series T preference shares in respect of a dividend period has been declare

The Series T preference shares shall not rank after any other series of p rank *pari passu* as regards participation in profits, by reason only of the bo (i) of the second paragraph of this section, or any dividend on the Series T discretion.

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See Certain U.S. Federal and U.K. Tax Consequences Taxation of I
a U.S. holder of the receipt of amounts equal to accrued dividends in conj
preference shares and Certain U.S. Federal and U.K. Tax Consequences
consequences to a U.S. holder of a redemption.

If certain limitations contained in our Articles of Association, the speci
applicable law permit (including, without limitation, the U.S. federal secur
time, purchase outstanding Series T preference shares by tender, available
the open market or by private agreement, in each case upon the terms and c
determine. Any Series T preference shares that we purchase for our own ac
as cancelled and will no longer be issued and outstanding.

Substitution

Subject to our Articles of Association, the provisions of the Companies
us and to the prior consent of the U.K. Financial Services Authority (if req
the U.K. Financial Services Authority may impose on the redemption or su
preference shares in whole, but not in part, with Qualifying Non-Innovativ
date) without any requirement for consent or approval of the holders of th
substitution date shall not occur prior to . Not less than 30 d
such substitution shall be given to the holders of the Series T preference sh

For the purposes of effecting any such substitution, we shall redeem th
part) on the substitution date and shall mandatorily apply the proceeds ther
Tier 1 Securities issued on such substitution date in an amount at least equa
shares multiplied by \$25 (in each case, without the need for any further act
preference shares). We will pay any costs and expenses associated with su
Non-Innovative Tier 1 Securities, including, without limitation, the fees and
third-party involved in the issuance thereof and any fees and expenses rela
Qualifying Non-Innovative Tier 1 Securities. We will also pay any stamp c
similar taxes payable in the United Kingdom arising on the allotment and i
Securities, including (if applicable) their deposit with the ADR depository
that under applicable law and HM Revenue & Customs practice transfers o
shares are able to be effected between holders thereof free of any stamp du
on such transfer immediately prior to the substitution date, we will procure
Tier 1 Securities (or ADRs representing such securities) shall also be able
such taxes immediately following such date.

Prior to the publication of any notice of substitution pursuant to the for
Bank of New York as ADR depository (i) a certificate, signed by two duly
securities to be offered in substitution for the Series T preference shares ar
such substitution is in accordance with the terms of the ADR deposit agree
effect that the exchange by a U.S. holder, or where relevant a U.S. benefici
Qualifying Non-Innovative Tier 1 Securities received will not result in the
tax purposes and (iii) any other opinion required under the terms of the AD

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Qualifying Non-Innovative Tier 1 Securities means securities, whether or not, otherwise, issued directly or indirectly by us, that comply with the following:

- (1) such securities will have the same material terms as the terms of the Series T preference shares, including, but not limited to, a first redemption date (or as such term may otherwise be defined) that is no later than the same day as the first redemption date in respect of the Series T preference shares;
- (2) to the extent that dividends on the Series T preference shares are eligible for the tax treatment under Section 1(h)(11) of the Internal Revenue Code of 1986, as amended, dividends paid to the Series T preference holder immediately prior to the substitution date, dividends paid to the Series T preference holder will also be so eligible;
- (3) such securities shall be listed on the New York Stock Exchange;
- (4) such securities will comply with the then current requirements of the SEC for the listing of Non-Innovative Tier 1 Capital;
- (5) such securities will preserve any existing rights under the Series T preference shares that have not been paid in respect of the period from (and including) the substitution date to (but excluding) the substitution date; and
- (6) at the time of issue, payments made by us in respect of such securities shall not be subject to any tax imposed by any taxing or other authority (whether within or outside the United States) and we shall not administer or collect any such tax.

Notwithstanding anything to the contrary set forth above, the Qualifying Non-Innovative Tier 1 Securities may have terms more favorable to the holders thereof than the terms of the Series T preference shares.

Non-Innovative Tier 1 Capital and Innovative Tier 1 Capital have the respective meanings set forth in the SEC Rules from time to time. Non-Innovative Tier 1 Capital means Tier 1 Capital that is not Innovative Tier 1 Capital.

Voting Rights

The holders of the Series T preference shares will not be entitled to receive notice of or to attend or vote at any meeting of our shareholders except as provided by applicable law or as described in this prospectus.

If any resolution is proposed for adoption by our shareholders varying the terms of the Series T preference shares or proposing that we be wound up, the holders of the Series T preference shares will be entitled to receive notice of and to attend the general meeting of shareholders and to speak and vote on such resolution, but not on any other matter.

In addition, if, before any general meeting of shareholders, we have failed to pay dividends on the Series T preference shares for the three most recent consecutive quarterly periods, the holders of Series T preference shares shall be entitled to receive notice of, attend, speak and vote at such meeting. In such circumstances only, the rights of the holders of Series T preference shares shall be the same as the rights of the holders of Series T preference shares in full of dividends on the Series T preference shares for three consecutive quarters. For more information regarding the Voting Rights of the holders of Series T preference shares, see the section titled "Voting Rights" in the accompanying prospectus.

Whenever entitled to vote at a general meeting of shareholders, on a poll each holder of Series T preference shares present in person shall have one vote and on a poll each holder of Series T preference shares represented by proxy will be entitled to one vote for each Series T preference share held (including Series T preference shares issued in connection with the issue, consolidations, sub-divisions or any other re-classification of our ordinary shares). The holders of ordinary shares

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of our assets and certain issues of ordinary shares or of rights or options to (subject to certain exceptions)).

The holders, including holders of Series T preference shares at a time v having failed to pay dividends as described above, of not less than 10% of the right to vote at our general meetings, are entitled to require the board o meeting. In addition, the holders of Series T preference shares may have th circumstances as described in the accompanying prospectus under the head Variation of Rights .

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CERTAIN U.S. FEDERAL AND U.K. TAX

The following summarizes certain U.S. federal and U.K. tax consequences of Series T preference shares or Series T ADSs by a U.S. Holder (as defined) of Series T preference shares or Series T ADSs evidenced by ADRs as capital assets and that purchase Series T preference shares or Series T ADSs as part of this offering. Although the following does not describe all the tax consequences that may be relevant to a prospective purchaser of Series T preference shares or Series T ADSs, (i) this discussion summarizes the material U.S. federal income tax consequences of owning Series T preference shares or Series T ADSs represented by ADRs and (ii) this discussion summarizes the material U.K. tax consequences to the U.S. Holders of owning Series T preference shares or Series T ADSs represented by ADRs.

As used herein, the term "US Holder" means a beneficial owner of Series T preference shares or Series T ADSs who is (a) a U.S. citizen or individual resident of the United States for U.S. federal income tax purposes, (b) a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in the United States or any state thereof (including the District of Columbia), (c) an estate, the income of which is taxable in the United States for U.S. federal income tax purposes regardless of its source, or (d) a trust if a court within the United States has determined that the administration of the trust and one or more U.S. persons are authorized to exercise control over the Series T preference shares or Series T ADSs, the tax treatment of a partner in a partnership (including for this purpose, any entity treated as a partnership for U.S. federal income tax purposes) in which the partner and the activities of the partnership have a substantial U.S. presence. Partners in a partnership holding Series T preference shares or Series T ADSs are urged to consult their own tax advisors regarding the specific tax consequences of owning Series T preference shares or Series T ADSs.

The summary does not (except where specific reference is made) address the tax consequences to a non-U.S. resident (or, in the case of an individual, ordinarily resident) in the United States who is engaged in trade or business in the United Kingdom through a branch, agency or permanent establishment. The summary does not address the tax consequences of Series T preference shares or the ADSs are attributable or, generally, (ii) that alone or together with other securities, directly, indirectly or constructively, 10% or more of our voting stock. In addition, this summary does not provide a comprehensive description of all the tax consequences that may be relevant to a holder of Series T preference shares or Series T ADSs, consequences that arise from rules of general application or that are generally applicable to all holders of Series T preference shares or Series T ADSs. This summary does not discuss special tax rules that may apply to U.S. expatriates, U.S. citizens or residents who are citizens or residents of banks, pension funds, insurance companies, regulated investment companies, or other entities, or to holders of Series T preference shares or Series T ADSs who are subject to the alternative minimum tax, securities broker-dealers, traders in securities markets, or persons who are subject to special accounting, persons holding their Series T preference shares or Series T ADSs in connection with a tax-qualified pension plan, a transaction, persons whose functional currency is not the U.S. dollar, among others. This summary does not discuss federal income tax consequences different from those set forth below. The summary does not discuss the tax consequences that might arise in the event of the substitution of the Series T preference shares or Series T ADSs with substitute securities. Furthermore, because the terms of any substitute Qualifying Non-Innovative Securities may differ from the terms of the Series T preference shares or Series T ADSs surrendered in respect of the substitute securities, the tax consequences of the substitute securities may differ after a substitution. These exact differences in tax consequences of the substitute securities are determined. Holders should consult their own tax advisors in this regard.

US Holders should consult their own tax advisors regarding the specific tax consequences of owning and disposing of Series T preference shares or Series T ADSs under the laws of the United States and other circumstances as well as any consequences arising under the laws of any other country.

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The statements regarding U.S. and U.K. tax laws and practices set forth in this prospectus supplement (the "Prospectus Supplement") regarding the U.S./U.K. double taxation convention relating to income and capital gains and the U.S./U.K. double taxation convention relating to estate and gift taxes (the "Estate Tax Treaty"), are based on the U.S. and U.K. tax laws and practices and the Treaty and the Estate Tax Treaty as in force and as applied in practice on the date of the Prospectus Supplement. Changes to those laws and practices and the Treaty and the Estate Tax Treaty after the date of this prospectus supplement possibly with retroactive effect.

For purposes of the Treaty and the Estate Tax Treaty and for purposes of the Code, U.S. Holders of ADRs will be treated as owners of Series T ADSs.

Taxation of Dividends

We are not required to withhold tax at source from dividend payments (including amounts in respect of accrued dividends) we distribute on redemption or withdrawal. If investors are not subject to U.K. withholding tax, it is not necessary to apply U.K. withholding.

Distributions we make with respect to the Series T preference shares or ADSs for income tax purposes to the extent paid out of our current or accumulated earnings and profits for income tax purposes and will be included in gross income on the date the distribution is made to the U.S. Holder. Dividends paid by us will not be eligible for the dividends received deduction of U.S. corporations. Subject to applicable limitations that may vary depending upon the type of U.S. Holder, dividends paid to certain non-corporate U.S. Holders in taxable years beginning before 2018 will be taxable at a maximum tax rate of 15%. Non-U.S. Holders should consult their tax advisors to determine whether they are subject to any special rules that limit the tax rate applicable to dividends.

The U.S. Treasury has announced its intention to promulgate rules which will require U.S. Holders to rely on certifications from a foreign issuer that dividends paid by the issuer are not U.S. source income. As of the date of this prospectus supplement, such rules have not been promulgated.

For U.S. foreign tax credit purposes, dividends we distribute will constitute U.S. source income in determining the amount of qualified dividend income taken into account for U.S. federal income tax purposes.

Taxation of Capital Gains

A U.S. Holder that is not resident (or, in the case of an individual, ordinarily resident) in the United Kingdom will normally be liable for U.K. taxation on capital gains realized on the disposition of a Series T preference share or Series T ADS unless, at the time of the disposition, the U.S. Holder, such U.S. Holder carries on a trade in the United Kingdom through a branch or agency and the Series T preference share or ADS was acquired for the purposes of this trade, permanent establishment, branch or agency, or the U.S. Holder is temporarily not resident or ordinarily resident in the United Kingdom.

A U.S. Holder will, upon the sale, exchange or redemption of a Series T preference share or ADS, recognize a capital gain or loss for U.S. federal income tax purposes (assuming, in the case of a U.S. Holder, that the U.S. Holder owns, and is not deemed to own, any of our voting shares) in an amount equal to the net proceeds (excluding any declared but unpaid dividends, which will generally be treated as dividends for U.S. federal income tax purposes) and the U.S. Holder's tax basis in the Series T preference share or ADS. The gain or loss will be U.S.-source.

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A U.S. Holder that owns or is deemed to own any of our voting shares may be subject to adverse tax consequences of a redemption of any Series T preference shares or Series T ADS.

A U.S. Holder who is liable for both U.K. and U.S. tax on a gain recognized on the redemption of Series T ADS will generally be entitled, subject to certain limitations, to a credit for U.K. tax liability in respect of such gain.

You should consult your tax advisors regarding the U.S. federal income tax consequences of a redemption of Series T ADS (which may be taxed at lower rates than ordinary income for certain non-corporate taxpayers, subject to limitations).

Finance (No. 2) Act 2005

If a corporate U.S. Holder is subject to U.K. corporation tax by reason of being a company through a permanent establishment and its Series T preference share or Series T ADS is held through that permanent establishment, certain provisions introduced by the Finance (No. 2) Act 2005 may apply. If the U.S. Holder holds its Series T preference share or Series T ADS for an investment purpose, dividends on the Series T preference share or Series T ADS, as well as certain other income of such Series T preference share or Series T ADS, will be brought within the scope of the U.K. tax position outlined in the preceding paragraphs under the sub-headings "U.K. Taxation" and "U.S. Holder will not apply."

Estate and Gift Tax

Subject to the discussion of the Estate Tax Treaty in the next paragraph, a Series T preference share or Series T ADS beneficially owned by an individual may be subject to U.K. inheritance tax on the death of the individual or, in certain circumstances, if the Series T preference share or Series T ADS is transferred (including a transfer at less than fair market value) by such individual. (Inheritance tax does not apply to transfers made more than seven years before the death of the donor.) Series T preference shares or Series T ADS held by the trustees of a settlement will also be subject to U.K. inheritance tax. Special provisions apply to transfers to trusts.

A Series T preference share or Series T ADS beneficially owned by an individual who is domiciled in the United States for purposes of the Estate Tax Treaty, and who is not a national of the United Kingdom, will not be subject to U.K. inheritance tax on the individual's death or on the transfer of the Series T ADS except where the Series T preference share or Series T ADS is transferred to a trust of the settlement, the settlor was domiciled in the United States and was not a resident of the United Kingdom, the business property of a U.K. permanent establishment of an enterprise; or the Series T preference share or Series T ADS is transferred to an individual used for the performance of independent personal services. The provisions of the Estate Tax Treaty are a system designed to avoid double taxation in a case where the Series T preference share or Series T ADS is subject to U.K. inheritance tax and to U.S. federal estate or gift tax.

Stamp Duty and Stamp Duty Reserve Tax

Based on our current understanding of H.M. Revenue & Customs practice, stamp duty and stamp duty reserve tax (SDRT) will be payable on the delivery of Series T preference shares or Series T ADS to an ADR depository. However, if this understanding proves to be incorrect, we may be subject to stamp duty or SDRT which becomes payable on the delivery of the Series T preference shares or the ADR depository.

A transfer of a registered ADR executed and retained in the United States under the ADR agreement to transfer a registered ADR will not give rise to SDRT.

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U.K. stamp duty will, subject to certain exceptions, be payable at the rate of 0.5% (rounded up, if necessary) of the value of Series T preference shares in registered form on any such shares are transferred (i) to, or to a nominee for, a person whose business is or includes the transfer of securities, or (ii) to, or to a nominee or agent for, a person whose business is or includes the transfer of securities, if the shares are transferred to the custodian for deposit under the ADR deposit agreement. U.S. SDRT will be payable in these circumstances but no SDRT will be payable if such stamp duty is paid under the ADR deposit agreement, any tax or duty payable by the ADR depositary or the issuer in connection with the transfer of preference shares in registered form will be charged by the ADR depositary in connection with such transfers.

Subject to certain exceptions, a transfer of Series T preference shares in registered form without the payment of stamp duty, and an unconditional agreement to transfer would attract SDRT. If SDRT is payable, stamp duty has been paid, generally at the rate of 0.5% (rounded up, if necessary) of the consideration for the transfer. Generally, ad valorem stamp duty is payable by the beneficial owner, although in cases of transfers where no ad valorem stamp duty may be payable.

No U.K. stamp duty or SDRT is payable on the transfer by delivery of the shares if the agreement to transfer such shares is not made in contemplation of, or in connection with, the Group.

United States Information Reporting and Backup Withholding

Dividend payments and proceeds paid from the sale or other disposition of Series T preference shares may be subject to information reporting to the Internal Revenue Service (the "IRS") and backup withholding at a current rate of 28%. Certain exempt recipients (such as corporations) are not subject to reporting or backup withholding requirements. Backup withholding generally applies if the recipient does not provide correct taxpayer identification number or certificate of foreign status and is not otherwise exempt from backup withholding and when required, demonstrate that they are exempt. Exempt recipients generally must provide IRS Form W-9 (Request for Taxpayer Identification Number and Certification). Non-US Holders generally will not be subject to U.S. information reporting and backup withholding. These holders may be required to provide certification of non-US status (generally in the form of a certificate of non-US status) for payments received in the United States or through certain US-related financial institutions.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a holder's U.S. federal income tax liability. A holder may obtain a refund of any excess backup withholding by timely filing the appropriate claim for a refund with the IRS and following the applicable rules.

Certain ERISA Considerations

This disclosure was written in connection with the promotion and marketing of the Series T preference shares by the underwriters, and it cannot be used by any holder for the purpose of avoiding or reducing the holder's liability under the U.S. Internal Revenue Code of 1986, as amended (Internal Revenue Code). Holders of Series T preference shares should consult their own tax advisors with respect to the application of the Internal Revenue Code and other laws to their particular situations.

The Employee Retirement Income Security Act of 1974, as amended (ERISA), applies to certain employee benefit plans subject to Title I of ERISA and on entities that are "covered entities" (as defined in ERISA), and on those persons who are fiduciaries with respect to ERISA Plans. ERISA sets forth ERISA's general fiduciary requirements, including, but not limited to, the duty of loyalty, the duty of prudence, the diversification and the

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UNDERWRITING

Under the terms and subject to the conditions of the underwriting agreement, 2007, each underwriter named below has severally agreed to such underwriter, the number of Series T preference shares in the form of Series T ADSs to be offered by such underwriter below.

Underwriter

Merrill Lynch, Pierce, Fenner & Smith Incorporated
Greenwich Capital Markets, Inc. Morgan Stanley & Co. Incorporated
UBS Securities LLC
Wachovia Capital Markets, LLC
Banc of America Securities LLC
Lehman Brothers Inc.
RBC Dain Rauscher Inc.

Total

We have granted the underwriters the option to purchase up to _____ of Series T ADSs at the public offering price less the underwriting discount after _____ shall accrue dividends with effect from such date. The underwriting agreement provides that the obligations of the underwriters in connection with this offering are subject to approval of legal matters by counsel and to other conditions. The Series T preference shares represented by Series T ADSs are offered by the underwriters and they will make such offers.

Each underwriter has represented and agreed that:

it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Article 1(2) of the Prospectus Directive) received by it in connection with the offer of Series T ADSs in circumstances in which section 21(1) of the FSMA applies to it;

it has complied and will comply with all applicable provisions of the Prospectus Directive in relation to the Series T preference shares and Series T ADSs in, from and to which an offer of Series T preference shares or Series T ADSs is being made; and in relation to each Member State of the European Economic Area which is not a Relevant Member State, each underwriter has represented and agreed that it will not make an offer of Series T preference shares or Series T ADSs in that Relevant Member State to legal entities which are authorized or regulated to operate in the financial markets of that Relevant Member State whose corporate purpose is solely to invest in securities;

to any legal entity which has two or more of (1) an average of at least total balance sheet of more than 43,000,000; and (3) an annual net to annual or consolidated accounts;

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to fewer than 100 natural or legal persons (other than qualified investors) or to obtaining the prior consent of the underwriters; or

in any other circumstances falling under Article 3(2) of the Prospectus Directive provided that no such offer of Series T preference shares and Series T ADSs is made pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision the expression "an offer of Series T preference shares or Series T ADSs in any Relevant Member State" means an offer in any form and by any means of sufficient information on the terms of the offer of Series T ADSs to be offered so as to enable an investor to decide to purchase or subscribe for Series T ADSs, as the same may be varied in that Member State by any measure implemented in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC as amended in each Relevant Member State.

The Series T ADSs will settle through the facilities of The Depository Trust Company, Clearstream Banking *société anonyme*, Luxembourg and Euroclear Bank SA, Luxembourg. The account number is 780097713 and the ISIN is US7800977131.

The underwriters have advised us that they propose initially to offer the Series T ADSs at the public offering price set forth on the cover page of this prospectus subject to a concession not in excess of \$ _____ per Series T ADS. The underwriters may offer the Series T ADSs at a price not in excess of \$ _____ per Series T ADS on sales to certain other dealers. The offering price, concession and discount may be changed.

The following table shows the maximum underwriting discounts and commissions in connection with this offering.

Per Series T ADS
Total

During and after the offering, the underwriters may purchase and sell the Series T ADSs. These transactions may include over-allotment and stabilizing transactions and may be effected through the use of "best efforts" contracts. The underwriters also may impose conditions on the Series T ADSs created in connection with the offering. The underwriters also may impose conditions on the Series T ADSs allowed to syndicate members or other broker-dealers in respect of the Series T ADSs. The Series T ADSs may be reclaimed by the syndicate if such Series T ADSs are repurchased by the syndicate in connection with the offering. These activities may have the effect of preventing or retarding the price of the Series T ADSs. They may also cause the price of the Series T ADSs to be higher than the price of the Series T ADSs in the open market in the absence of these transactions. The underwriters may effect the offering of the Series T ADSs on the Exchange, in the over the counter market, or otherwise. If the underwriters determine that it is necessary, they may discontinue them at any time.

We will apply for the listing of the Series T preference shares and the Series T ADSs on the New York Stock Exchange. Trading of the Series T ADSs on the New York Stock Exchange is expected to begin on or shortly after the date of the delivery of the Series T ADSs. Prior to this offering, there has been no trading of the Series T ADSs. We can give you no assurance about the liquidity of the trading market for the Series T ADSs.

The underwriters have performed investment banking and advisory services for us in the ordinary course of their business. The underwriters may, from time to time, receive customary fees and expenses. The underwriters may, from time to time, receive customary fees and expenses for services for us in the ordinary course of their business.

Merrill Lynch International has been appointed acquisition advisor to the Company. For a discussion of the Offer, please see "The ABN AMRO Offer"

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beginning on page S-15. In addition, Merrill Lynch advised us, and co-investor Bank of China.

In the underwriting agreement, we have agreed to indemnify the underwriters of their liabilities under the Securities Act of 1933, as amended, or to contribute to the payment to be made in respect thereof.

The offering is being made in compliance with the requirements of Rule 144 of the Securities Act of 1933, as amended, because Greenwich Capital Markets, Inc. and Citizens Securities of New York participate in offerings under our shelf registration statement of which this prospectus is a part. Greenwich Capital Markets, Inc. is participating as an underwriter and receiving underwriting compensation for offerings under our shelf registration statement.

All post-effective amendments or prospectus supplements disclosing additional information to the Financial Industry Regulatory Authority (FINRA) Corporate Finance Department, if they are filed with the SEC. The Department will be advised if, subsequently, any of our shareholders is or becomes an affiliate or associated person of a FINRA member participating in the offering understand the requirements of Rule 415 and Notice-to-Members 88-101.

It is expected that delivery of the Series T preference shares as represented by the ADSs will be made by payment on or about the date specified in the last paragraph of the cover page of this prospectus on the New York business day following the date of pricing of the Series T preference shares (referred to as T+). Under Rule 15c6-1 of the Securities Exchange Act of 1934, as amended, market generally are required to settle in three New York business days, unless otherwise specified. Accordingly, purchasers who wish to trade the Series T preference shares before the delivery of the Series T preference shares will be required, by virtue of the terms of the ADSs, to initially will settle in T+ , to specify an alternate settlement cycle at the time of purchase. Purchasers of Series T preference shares who wish to make such purchases should specify the settlement cycle.

LEGAL OPINIONS

Our United States counsel, Shearman & Sterling LLP, and United States counsel in Scotland will pass upon the validity of the Series T ADSs. Our Scottish solicitors, Duff & Scott LLP, will pass upon the validity of the Series T preference shares under Scots law. Our English solicitors, Duff & Scott LLP, will pass upon matters of English law relating to the issue and sale of the Series T preference shares.

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PROSPECTUS

THE ROYAL BANK OF SCOTLAND GROUP plc

By this prospectus we may offer

DEBT SECURITIES

DOLLAR PREFERENCE SHARES

up to an aggregate initial offering price of \$6,175,000,000
or the equivalent thereof.

We will provide the
specific terms of these
securities in supplements
to this prospectus. You should
read this prospectus and the
supplements carefully
before you invest.

**Neither the Securities and Exchange Commission nor any state securities
commission has approved or disapproved of these securities or determined that this prospectus is true
or accurate in all material respects. Selling securities in violation of the Securities Act of 1933,
contrary to the representations made in this prospectus, is a criminal offense.**

This prospectus may not be used to sell securities unless it is accompanied by the

The date of this prospectus is September 15, 2015.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the SEC using a shelf registration or continuous offering process. Under this shelf registration, we may offer securities through this prospectus in one or more offerings up to a total dollar amount of \$6,175,000,000, in currencies or currency units.

This prospectus provides you with a general description of the debt securities which we will refer to collectively as the securities. Each time we sell securities that will contain specific information about the terms of that offering. The prospectus supplement may also add to, update or change information contained in this prospectus and any prospectus supplement, you should read the information in this prospectus and any prospectus supplement, you should read the prospectus supplement. We will file each prospectus supplement with the SEC. You should read the prospectus supplement, together with the additional information described under the heading Information.

The registration statement containing this prospectus, including exhibits, contains information about us and the securities offered under this prospectus. The registration statement is available at the SEC's website mentioned under the heading Certain Terms.

Certain Terms

In this prospectus, the terms we, us or our refer to The Royal Bank of Scotland Group plc and its subsidiaries, the term RBS plc means RBS plc and its subsidiaries, the term NatWest means NWB Plc and its subsidiaries.

We publish our consolidated financial statements in pounds sterling (£). In this prospectus and any prospectus supplement, references to dollars and \$ are to United States dollars.

USE OF PROCEEDS

Unless we have disclosed a specific plan in the accompanying prospectus supplement, the sale of the securities offered by this prospectus in the general business operations of the Group will be used to maintain the Group's capital base. The Group has raised capital in various markets from time to time in appropriate markets as and when required.

THE ROYAL BANK OF SCOTLAND

The Royal Bank of Scotland Group plc is the holding company of one of the largest financial groups, with a market capitalization of £59.9 billion as at June 30, 2007. The Group has operations in the United Kingdom, the United States and internationally. The Group's operations are conducted through Direct Line Group and Churchill Insurance). Both RBS and NatWest have origins go back over 275 years. In the United States, the Group's subsidiary is the ninth largest commercial banking organization by deposits as at March 31, 2007. The Group has a large customer base and provides a wide range of products and services to personal and institutional customers. Our registered office is 36 St Andrew Square, Edinburgh. Our principal place of business is RBS Gogarburn, PO Box 1000, Edinburgh EH12 1HQ, Scotland.

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DESCRIPTION OF DEBT SEC

The following is a summary of the general terms of the debt securities. It is a prospectus supplement with the SEC, which you should read carefully. The terms of those debt securities. The terms presented here, together with the descriptions of the material terms of the debt securities, but if there is a discrepancy between the terms in the prospectus supplement, those in the prospectus supplement shall control. You should also read the indentures under which we will issue the debt securities and the exhibits to the registration statement of which this prospectus is a part.

All of these debt securities of any series will be our subordinated obligations. All debt securities will be issued under a capital securities indenture. Other debt securities will be issued under a capital securities indenture. The Bank of New York is trustee under both indentures.

General

The debt securities are not deposits and are not insured by the United States or any other government agency of the United States or the United Kingdom.

The indentures do not limit the amount of debt securities that we may issue of any series. The relevant prospectus supplement for any particular series of debt securities, including some or all of the following terms:

- whether they are capital securities or subordinated debt securities;
- their specific designation, authorized denomination and aggregate principal amount;
- the price or prices at which they will be issued;
- the annual interest rate or rates, or how to calculate the interest rate or rates;
- the date or dates from which interest, if any, will accrue or the method of determining interest;
- the times and places at which any interest payments are payable;
- any date of maturity;
- the terms of any mandatory or optional redemption, including the amount of any premium payable;
- any modifications or additions to the events of defaults with respect to the debt securities;
- any provisions relating to conversion or exchange for other securities;
- the currency or currencies in which they are denominated and in which any payments are to be made;
- any index used to determine the amount of any payments on the debt securities;
- any restrictions that apply to the offer, sale and delivery of the debt securities in any form for debt securities of another form;
- whether and under what circumstances, if other than those described in the prospectus supplement, we may suspend or defer payments on the debt securities following certain developments with respect to the issuer or the guarantor;
- whether, and on what terms, if other than those described in this prospectus supplement, we may redeem or purchase the debt securities.

following those developments;

the terms of any mandatory or optional exchange; and

any listing on a securities exchange.

In addition, the prospectus supplement will describe the material U.S. federal income tax consequences of any particular series of debt securities.

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Debt securities may bear interest at a fixed rate or a floating rate. We will not issue debt securities that bear no interest, or that bear interest at a rate that at the time of issuance is below the stated principal amount.

Holders of debt securities shall have no voting rights except those described in the prospectus supplement.

Form of Debt Securities; Book-Entry System

General

Unless the relevant prospectus supplement states otherwise, the debt securities will be issued as more global securities in registered form, without coupons attached, and without physical delivery to the depositary, including, without limitation, The Depository Trust Company (DTC), Clearstream Banking *société anonyme*, Luxembourg (Clearstream Luxembourg) as the global securities depositary or its nominee. Unless and until the debt securities are exchanged for definitive securities, the global securities will be issued in whole by the depositary to a nominee or a successor of the depositary.

The debt securities may be accepted for clearance by DTC, Euroclear and Clearstream Luxembourg. If the prospectus supplement states otherwise, the initial distribution of the debt securities will be made through such event, beneficial interests in the global debt securities will be shown on the book-entry records maintained through, the book-entry records maintained by DTC and its direct and indirect participants, Euroclear and Clearstream Luxembourg.

The laws of some states may require that certain investors in securities be registered in their name to receive definitive form. Those laws may impair the ability of investors to own interests in securities.

So long as the depositary, or its nominee, is the holder of a global debt security, it will be considered the sole holder of such global debt security for all purposes under the indentures.

Issuance of Definitive Securities. No participant, indirect participant or other securities intermediary registered in its name, receive or be entitled to receive physical delivery of the debt securities under the indentures. Each person claiming to be the owner or holder of the debt securities must rely on the procedures of the depositary, and, if a person is claiming to be the owner or holder of the debt securities through a securities intermediary, on the procedures of the participant or other securities intermediary through which it claims to be the owner or holder. The rights and obligations of a holder under the indentures or the debt securities will be determined by the procedures of the depositary.

Payments on the Global Debt Security

Payments of any amounts in respect of any global securities will be made to the beneficial owners of debt securities in accordance with the rules of the clearing system, or to indirect participants, as applicable. Neither we nor the trustee nor any of our agents will be responsible for any aspect of the records of any securities intermediary in the chain of ownership of a global security, or the failure of the depositary to make payments to the beneficial owner of an interest in a global security, or the failure of the depositary to make payments to the beneficial owner any payments that we make to the depositary.

The Clearing Systems

DTC, Euroclear and Clearstream Luxembourg have advised us as follows:

DTC. DTC is a limited-purpose trust company organized under the laws of the State of New York, and is a member of the Federal Reserve Bank of New York within the meaning of the New York Banking Law, a member of the Federal Reserve System within the meaning of the New York Uniform Commercial Code, and a clearing corporation within the meaning of Section 17A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). DTC is a "clearing corporation" within the meaning of its

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participants and to facilitate the clearance and settlement of transactions and the electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. DTC participants include securities brokers and dealers, banks, trust companies, clearing agencies, and other participants, some of which, along with certain of their representatives and others, own securities certificates. Some of these participants are available to others, such as banks, brokers, dealers and trust companies that act as intermediaries with a participant, either directly or indirectly.

Euroclear. Euroclear holds securities for its participants and clears and settles securities transactions through simultaneous electronic book-entry delivery against payment. Euroclear also provides safekeeping, administration, clearance and settlement and securities lending and borrowing services in several countries. Securities clearance accounts and cash accounts are maintained in Euroclear. Conditions Governing Use of Euroclear and the related Operating Procedures apply to Euroclear (collectively, the Euroclear Terms and Conditions). The Euroclear Terms and Conditions govern the cash within Euroclear, withdrawals of securities and cash from Euroclear, and the use of Euroclear.

Clearstream Luxembourg. Clearstream Luxembourg is incorporated in Luxembourg as a professional depositary. Clearstream Luxembourg holds securities for its participants and clears and settles securities transactions between its participants and the issuer of its participants, thereby eliminating the need for physical movement of securities certificates. Clearstream Luxembourg provides, among other things, services for safekeeping, administration, clearance and settlement of traded securities and securities lending and borrowing. Clearstream Luxembourg operates in several countries.

Issuance of Definitive Securities

So long as the depositary holds the global securities of a particular series, the global securities will be exchangeable for definitive securities of that series unless:

the depositary notifies the trustee that it is unwilling or unable to continue to act as the depositary and the trustee does not appoint a successor to the depositary within 120 days;

we are wound up and we fail to make a payment on the debt securities;

at any time we determine in our sole discretion that the global securities should be exchanged for definitive debt securities of that series in registered form.

Each person having an ownership or other interest in a debt security may request that the depositary, as the case may be, and any agreement with any direct or indirect holder of Euroclear or Clearstream Luxembourg and their participants, as applicable, be amended so that which that person holds its interest, to receive or direct the delivery of possession of the securities. We permit us to determine at any time and in our sole discretion that debt securities should be exchanged for definitive securities. DTC has advised us that, under its current practices, it would not be able to withdraw beneficial interests from the global securities at the request of any holder of securities certificates in exchange for any such beneficial interests withdrawn.

Definitive debt securities will be issued in registered form only. To the extent that the paying agent shall be entitled to treat the person in whose name any definitive securities are registered as it appears in the register for that series of debt securities.

Payments in respect of each series of definitive securities will be made in cash if the securities are registered as it appears in the register for that series of debt securities by check drawn on a bank in New York or, if the

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holder requests, by transfer to the holder's account in New York. Definitive securities will be delivered to the holder for redemption.

If we issue definitive debt securities of a particular series in exchange for global debt securities, as holder of that global debt security, will surrender it against receipt of the definitive debt securities of that series, and distribute the definitive debt securities of that series as the depositary specifies.

If definitive securities are issued in the limited circumstances described above, the securities will be issued whole or in part in denominations of any whole number of securities upon presentation of the securities together with the form of transfer endorsed on it, duly completed and executed. If only part of a securities certificate is transferred, a new securities certificate will be issued to the transferor within three business days after the paying agent representing the balance will be delivered to the transferor by uninsured post. The new certificate will be sent to the transferee within three business days after the paying agent representing the balance is delivered uninsured post at the risk of the holder entitled to the securities represented by the form of transfer.

Settlement

Initial settlement for each series of debt securities and settlement of any debt securities will be made in same-day funds. Book-entry debt securities held through the Depository will be settled through the Settlement System.

Payments

We will make any payments of interest and, in the case of subordinated debt securities, of debt securities on the dates and, in the case of payments of interest, at the times determined by the method of calculation described in, the relevant prospectus.

Subordinated Debt Securities

Unless the relevant prospectus supplement provides otherwise, if we do not make a payment on any subordinated debt securities on any payment date, our obligation to make a payment, until the date upon which we pay a dividend on any class of our securities, shall not be suspended until the first business day after the date that falls six months after the original payment date. If we fail to make a payment before the Deferred Payment Date, that failure shall not constitute a default and we shall not be liable to sue us for the payment or take any other action. Each payment that is deferred in this way shall prevail in accordance with the terms of the series of debt securities immediately preceding the deferred payment. A payment deferred in this way shall not be treated as due for any purpose, in whole or in part, until the Deferred Payment Date, or not a Subordinated Debt Security Default has occurred, until the Deferred Payment Date.

Capital Securities

We are not required to make payments on any series of capital securities until the next applicable payment date, that shall not create a default. Any payment that we do not make on any applicable payment date, together with any other unpaid payments, so long as we are not in default, shall accumulate and will accumulate until paid. Missed Payments will not bear interest.

We may choose to pay any Missed Payments in whole or in part at any time, but all Missed Payments on all capital securities of a particular series outstanding shall be paid in full upon the occurrence of an Event of Default or, subject to the terms of the prospectus, if the Events are defined below under "Events."

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of Default and Defaults; Limitation of Remedies . If we give notice that w
on the capital securities of any series, we shall be obliged, subject to the so
our notice.

Except in a winding up, all payments on the capital securities of any se
the time of payment, and we will not make any payment unless we will stil
the solvency condition . For this purpose, we shall be solvent if we are a
non-consolidated assets exceed our total non-consolidated liabilities, exclu
(as defined under Subordination below) except in the case of the opti
A report as to our solvency by a director or, in certain circumstances, our a
treated and accepted by us, the trustee and any holder of capital securities a
insolvency. If we fail to make any payment as a result of failure to satisfy t
a Missed Payment and will accumulate with any other Missed Payments un
capital securities of any series will be determined in accordance with the ca
under Subordination below.

*You should note that if we are unable to make any payment on the capi
to satisfy the solvency condition, the amount of any payment which we wou
losses.*

Subordination

Subordinated Debt Securities

Unless the relevant prospectus supplement provides otherwise, in a win
subordinated debt securities will be subordinate to, and subject in right of p
of all of our creditors other than claims in respect of any liability that is, or
the event of a winding up or otherwise, to the claims of all or any of our cr
debt indenture.

Capital Securities

Unless the relevant prospectus supplement provides otherwise, in a win
and any Missed Payments on, any series of capital securities will be subor
prior payment in full of, all Senior Claims. The following are Senior Clai

all claims of our unsubordinated creditors admitted in the winding up

all claims of our creditors in respect of liabilities that are, or are expre
of a winding up or otherwise, to the claims of our unsubordinated cre

all other claims except those that rank, or are expressed to rank, equal
capital securities of any series.

Additional senior claims, if any, may be set forth in the accompanying

If at any time an order is made or a shareholders resolution is passed
payable in respect of the capital securities of any series if, on and after the
holder of those capital securities had been the holder of preference shares i
assets in the winding up over the holders of all other issued shares, includi
payable on those capital securities. These amounts will be calculated assum
the exclusion of all other rights or privileges, to receive as a return of capit
capital securities of the series then outstanding, together with all payments
provided for in those capital securities and any Missed

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Payments. Accordingly, no amount will be payable in a winding up on any admitted in the winding up have been paid in full.

General

As a consequence of these subordination provisions, if winding up proceeds less ratably than the holders of our unsubordinated liabilities and, in the case of certain of our subordinated liabilities, including the holders of subordinated debt securities payable on any series of debt securities and any claims ranking equally with those securities and other claims ranking equally will share ratably in any distribution of the respective amounts to which they are entitled. If any holder is entitled to a payment in any winding up or liquidation, the holder might not be entitled in those payments to be entitled only to a recovery in pounds sterling or any other lawful currency.

In addition, because we are a holding company, our rights to participate in the assets of the subsidiaries will be subject to the prior claims of its creditors, including, in the case of a winding up, to the extent that we may be a creditor with recognized claims against the subsidiaries.

Additional Amounts

Unless the relevant prospectus supplement provides otherwise, we will pay the principal of and interest on debt securities without deduction or withholding for, or on account of, any taxes, levies, imposts, duties, charges, fees, deductions or withholdings imposed by any government on behalf of the United Kingdom or any political subdivision thereof or any other jurisdiction, unless such deduction or withholding is required by law. If we are required to make such deduction or withholding, we will pay additional amounts with respect to Missed Payments on, the debt securities (*Additional Amounts*) that are due to the holders of those debt securities, after the deduction or withholding, shall equal the principal of and Missed Payments which would have been payable on that series of debt securities had not been required. However, this will not apply to any tax that would not have been payable if

the holder or the beneficial owner of the debt securities is a domiciliary resident in the United Kingdom or maintaining a permanent establishment or physically present in, a U.K. resident for tax purposes in connection with the U.K. taxing jurisdiction other than the holding or beneficial ownership of any payment of, or in respect of, principal of, or any payments or Missed Payments on, the debt securities;

except in the case of a winding up in the United Kingdom, the relevant prospectus supplement provides (where required) for payment in the United Kingdom;

the relevant debt security is presented (where presentation is required) to the issuer or the relevant payment became due or was provided for, whichever is later, except to the extent that the holder is not entitled to the Additional Amounts on presenting the debt security for payment;

the holder or the beneficial owner of the relevant debt security or the issuer or the relevant liquidator or other authorized person addressed to the holder to provide information to the issuer as to the residence or identity of the holder or the beneficial owner or to make any other information requirement, which is required or imposed by a statute, treaty or agreement of the U.K. taxing jurisdiction as a precondition to exemption from all or part of the tax payable in the U.K. taxing jurisdiction;

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only be allowed if the solvency condition is satisfied. Any notice of redemption among other items:

the redemption date;

the amount of debt securities to be redeemed if less than all of the series;

the redemption price;

that the redemption price will, subject to the solvency condition, become due on such date; and that payments will cease to accrue on such date; and

the place or places at which each holder may obtain payment of the redemption price.

In the case of a partial redemption, the trustee shall select the debt securities to be redeemed in such manner as the trustee deems fair and appropriate.

We or any of our subsidiaries may at any time and from time to time purchase debt securities in the open market or by tender (available to each holder of debt securities of the relevant series) if the law allows and if, in the case of capital securities, the solvency condition is satisfied. We may purchase beneficially for our own account, other than in connection with debt securities that will no longer be issued and outstanding.

Under existing U.K. Financial Services Authority requirements, we may purchase debt securities beneficially for our own account, other than a repurchase in connection with debt securities, if we give prior notice to the U.K. Financial Services Authority and, in certain circumstances, the U.K. Financial Services Authority may impose conditions on any redemption or repurchase.

Modification and Waiver

We and the trustee may make certain modifications and amendments of debt securities without the consent of the holders of the debt securities. We may make certain modifications and amendments with the consent of the holder or holders of not less than 66 2/3% of the debt securities of the series outstanding under the indenture that are affected by the modification or amendment. However, we may not make any modification or amendment without the consent of the holders of the debt securities affected that would:

change the stated maturity of the principal amount of any subordinate debt security or add a maturity date to include a stated maturity date;

reduce the principal amount of or the payments or any Missed Payments on any debt security;

change our obligation (or our successor's) to pay Additional Amounts on any debt security;

change the currency of payment;

impair the right to institute suit for the enforcement of any payment due on any debt security;

reduce the percentage in aggregate principal amount of outstanding debt securities that must be paid in full at maturity; amend the indenture or to waive compliance with certain provisions of the indenture relating to Subordinated Debt Security Default or Capital Security Default;

modify the subordination provisions or the terms of our obligations in connection with the debt securities in a manner adverse to the holders of the debt securities.

modify the above requirements.

In addition, material variations in the terms and conditions of debt securities relating to subordination, redemption, events of default, subordinated debt

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Capital Security Defaults

Unless the relevant prospectus supplement provides otherwise, it shall series of capital securities if:

we fail to pay or to set aside a sum to provide for payment of any Miss dividend is paid on any class of our share capital, or we make a redem of the same series other than a repurchase in connection with dealing 30 days; or

we fail to pay or to set aside a sum to provide for payment of the prin and any Missed Payments on the date fixed for redemption of the cap days.

If any Capital Security Default shall occur and is continuing, the trustee including commencing a judicial proceeding for the collection of the sums in England or Scotland (but not elsewhere), but the trustee may not declare expenses in respect of any outstanding capital security to be due and payab prejudice the provisions relating to subordination set out above. If we fail t solvency condition is not satisfied at the end of the 30-day or 7-day period Security Default but instead shall create a Capital Security Payment Even may institute proceedings in England or Scotland (but not elsewhere) for o remedy, including a judicial proceeding for the collection of the sums due

By accepting a capital security, each holder and the trustee will be deen counterclaim or combination of accounts with respect to the capital securit obligations under or in respect of any capital securities and any liability ow otherwise have against us, whether before or during our winding up.

General

The holder or holders of not less than a majority in aggregate principal waive any past Event of Default, Subordinated Debt Security Default, Cap Event with respect to the series, except an Event of Default, Subordinated in respect of the payment of principal of or payments or Missed Payments the applicable indenture which cannot be modified or amended without the series.

Subject to the provisions of the applicable indenture relating to the duti Subordinated Debt Security Default, Capital Security Default or Capital Se with respect to the debt securities of any series, the trustee will be under no securities of the series, unless they have offered reasonable indemnity to th the indemnification of the trustee, the holder or holders of a majority in ag securities of any series shall have the right to direct the time, method and p available to the trustee or exercising any trust or power conferred on the tr not in conflict with any rule of law or with the applicable indenture and the be unjustly prejudicial to the holder or holders of any debt securities of any may take any other action that it deems proper which is not inconsistent wi

The indentures provide that the trustee will, within 90 days after the oc Debt Security Default, Capital Security Default or Capital Security Payme series, give to each holder of the debt securities of the affected

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series notice of the Event of Default, Subordinated Debt Security Default, Payment Event known to it, unless the Event of Default, Subordinated Debt Security Payment Event has been cured or waived. However, the trustee determines in good faith that withholding notice is in the interest of the holders.

We are required to furnish to the trustee annually a statement as to our compliance with the requirements under the indenture.

Consolidation, Merger and Sale of Assets; Assumption

We may, without the consent of the holders of any of the debt securities of any series, sell, lease, convey, or otherwise dispose of all or substantially all of our assets substantially as an entirety to, any person, provided that any such person is a company organized under the laws of the United Kingdom, an amalgamation, or any transferee or lessee of our assets, is a company organized under the laws of the United Kingdom that assumes our obligations on the debt securities and under the indenture, if the conditions are met.

Subject to applicable law and regulation, any of our wholly-owned subsidiaries may assume our obligations on the debt securities of any series without the consent of any holder, provided that the assumption is made on a basis in substantially the manner described under Subordination above with respect to the debt securities of that series. If we do, all of our direct obligations under the debt securities of that series under the indenture shall immediately be discharged. Any Additional Amounts under the indenture with respect to taxes imposed by the jurisdiction in which the assuming subsidiary is organized shall be equivalent to those that apply to any obligation to pay Additional Amounts under the indenture with respect to taxes imposed by any U.K. taxing jurisdiction. However, if we shall be required to pay Additional Amounts related to taxes, subject to the conditions set forth above, imposed by any U.K. taxing jurisdiction by reason of the guarantee obligations, the holders of the debt securities will also be entitled to redeem the debt securities of the relevant series in accordance with Redemption above with respect to any change or amendment to, or change in, the laws or regulations (including any treaty) of the assuming subsidiary's jurisdiction of the assumption. However, the determination of whether the solvency conditions are met shall be made with reference to us, unless applicable law requires otherwise.

An assumption of our obligations under the debt securities of any series shall be made for the purposes to be an exchange of those debt securities for new debt securities of the same series without recognition of taxable gain or loss for those purposes and possibly certain other tax consequences. You should consult your tax advisor regarding the U.S. federal, state and local income tax consequences of such an assumption.

Governing Law

The debt securities and the indentures will be governed by and construed under the laws of New York, except that, as the indentures specify, the subordination provisions of the indentures will be governed by and construed in accordance with the laws of England.

Notices

All notices to holders of registered debt securities shall be validly given if they are delivered prepaid, to them at their respective addresses in the register maintained by the trustee.

The Trustee

The Bank of New York is the trustee under the indentures. The trustee shall not be responsible for the responsibilities specified with respect to an indenture trustee under the Trust Indenture Act of 1939, the trustee is under no

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obligation to exercise any of the powers vested in it by the indentures at the reasonable indemnity by the holder against the costs, expense and liabilities of our subsidiaries maintain deposit accounts and conduct other banking transactions in the ordinary course of our business. The Bank of New York is also the book-entry agent for the securities and the depository with respect to the ADSs representing certain of our debt securities.

Consent to Service of Process

Under the indentures, we irrevocably designate CT Corporation System as the agent for service of process in any legal action or proceeding arising out of or relating to the indentures or the securities in any court in The City of New York, New York and we irrevocably submit to the jurisdiction of such court.

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DESCRIPTION OF DOLLAR PREFERENCE

The following is a summary of the general terms of the dollar preference shares, we will file a prospectus supplement with the SEC. The prospectus supplement will designate the terms of the dollar preference shares of the series that our board of directors or an authorized officer (or officers, as the board of directors) adopt. These terms may amend, supplement or be subject to the applicable prospectus supplement will state that, and the description of the dollar preference shares contained in the prospectus supplement will apply. You should also read our prospectus supplement to the SEC as an exhibit to the registration statement of which this prospectus supplement is a part. The general terms of the ADR deposit agreement under which American Depositary Shares that may represent dollar preference shares may be issued, under the terms of the ADR Receipts .

General

Under our Articles of Association, our board of directors is authorized to issue dollar preference shares, in one or more series, with the dividend rights, liquidation value per share, and other rights, preferences, privileges, limitations and restrictions that are set forth in the resolutions adopted by our board of directors. Our board of directors may only provide for the issuance of a series if a resolution of our shareholders has authorized the allotment of shares of that series.

The dollar preference shares of any series will have the dividend rights, liquidation value per share, and voting rights described below, unless the relevant prospectus supplement or prospectus supplement for the specific terms of any series, including:

- the number of shares offered, the number of shares offered in the form of American Depositary Shares, and the number of shares represented by each ADS;
- the public offering price of the series;
- the liquidation value per share of that series;
- the dividend rate, or the method of calculating it;
- the place where we will pay dividends;
- the dates on which dividends will be payable;
- the circumstances under which dividends may not be payable;
- voting rights;
- the restrictions applicable to the sale and delivery of the dollar preference shares;
- whether and under what circumstances we will pay additional amounts to holders of the dollar preference shares in certain developments with respect to withholding tax or information reporting requirements;
- any redemption, conversion or exchange provisions;
- any listing on a securities exchange; and
- any other rights, preferences, privileges, limitations and restrictions relating to the dollar preference shares.

The prospectus supplement will also describe material U.S. and U.K. tax consequences of dollar preference shares.

The dollar preference shares of any series will rank junior as to dividends to dividends with other non-cumulative preference shares, the exchange preference shares, equally as to repayment of capital on a winding up or liquidation of the company. The exchange preference shares of any series,

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the sterling preference shares and the cumulative preference shares and, un establishing any series of dollar preference shares specify otherwise and th equally in all respects with the dollar preference shares of each other series to rank equally with them. The preferential rights to dividends of the holder cumulative whereas the preferential rights to dividends of the holders of an exchange preference shares, the euro preference shares, and any sterling pr Holders of dollar preference shares will have no pre-emptive rights.

The dollar preference shares will rank in priority to our ordinary shares to repayment of capital if we are wound up or liquidated, whether or not v

There are no restrictions under our Articles of Association or under Sco non-resident or foreign owners, as such, to acquire dollar preference shares dollar preference shares of a particular series, to vote those dollar preferen laws, decrees, or regulations that would prevent the remittance of dividend of any series to non-resident holders.

Dividends

Non-cumulative preferential dividends on each series of dollar preferen on the dates set out in the relevant prospectus supplement and will accrue f

Pursuant to our Articles of Association, our board of directors may reso dollar preference shares that full dividends on such series of dollar preferen payment date will not be declared and paid if, (i) in its sole and absolute di relevant dividend payment date that such dividend (or part thereof) shall no directors, payment of a dividend would breach or cause a breach of the cap Services Authority that apply at that time to us and/or any of our subsidiari distributable profits, after the payment in full, or the setting aside of a sum stated to be payable on or before the relevant dividend payment date on the dividends thereon), are insufficient to cover the payment in full of dividend dividends on any of our other preference shares stated to be payable on the ranking equally as to dividends with the dollar preference shares of that ser defines distributable profits as, in general terms, and subject to adjustme realized losses.

Unless the applicable prospectus supplement states otherwise, if divide in the opinion of the board of directors, insufficient to enable payment in f shares on any dividend payment date and also the payment in full of all oth any other non-cumulative preference shares and any other share capital exp participation in profits, after payment in full, or the setting aside of a sum t to be payable on or before such date on any cumulative preference share, th sub-clauses (i) and (ii) of the preceding paragraph) declare and pay dividen profits (if any) on a *pro rata* basis so that (subject as aforesaid) the amount preference shares of the series and the dividends stated to be payable on su shares and any other share capital expressed to rank *pari passu* therewith a other the same ratio that accrued dividends per share on the dollar preferen preference shares, and any other share capital expressed to rank *pari passu* to each other.

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Dividends on the cumulative preference shares, including any arrears, of any series of dollar preference shares, and as a result, we may not pay any dividend unless we have declared and paid in full dividends on the cumulative preference shares.

If we have not declared and paid in full the dividend stated to be payable on the most recent dividend payment date, or if we have not set aside a sum to provide for the reasons set out in sub-clause (ii) of the second paragraph of this section, with respect to any of our other share capital (other than the cumulative preference shares) and any dividends, unless, on the date of declaration, we set aside an amount equal to the dividend period payable on that series of dollar preference shares to provide for the payment of the dollar preference shares on the next dividend payment date. If we have not declared and paid in full any series of dollar preference shares on any dividend payment date, or if we have not paid in full, in either case for the reasons set out in sub-clause (ii) of the second paragraph of this section, we will not purchase or otherwise acquire for any consideration any of our other share capital, or any sinking fund to redeem, purchase or otherwise acquire them, until we have declared and paid in full any series of dollar preference shares in respect of successive dividend periods of not more than 12 months.

To the extent that any dividend on any dollar preference share to which this section applies is, on any occasion, not declared and paid by reason of the reasons set out in sub-clause (i) of the second paragraph of this section, holders of such shares may not claim in respect of such non-payment. In addition, such non-payment shall not affect the payment of dividends on any other series of dollar preference shares or on any other share capital expressed to rank *pari passu* with our dollar preference shares, (b) the setting aside of funds referred to in (a), (c) except as set forth in the following paragraph, the redemption of shares by us, or (d) except as set forth in the following paragraph, the setting aside of funds, for any such redemption, purchase or other acquisition by us.

If we have not declared and paid in full the dividend stated to be payable on the most recent dividend payment date as a result of the board of directors' discretion referred to in sub-clause (i) of the second paragraph of this section, we will not redeem, purchase or otherwise acquire for any consideration any of our share capital, or any sinking fund for the shares, and may not set aside any sum nor establish any sinking fund for the payment of the dividend thereof, until such time as we have declared and paid in full dividends on such series of dollar preference shares in respect of successive dividend periods singly or together aggregating no less than 12 months, or paid on any of our share capital ranking after such dollar preference shares, or on any other share capital stated to be payable on the dollar preference shares to which the discretion referred to in sub-clause (i) of the second paragraph of this section applies in respect of a dividend period has been declared and paid in full.

No series of dollar preference shares shall rank after any other series of share capital, or any sinking fund, or rank *pari passu* as regards participation in profits, by reason only of the reasons set out in sub-clause (i) of the second paragraph of this section, or any dividend on that series not declared and paid in full.

Dividends on the dollar preference shares of any series will be non-cumulative. We may not pay a dividend or any part of a dividend when due on a dividend payment date in respect of a series of dollar preference shares because it is not required to do so, then holders of dollar preference shares may not claim in respect of the non-payment and we will have no obligation to pay the dividend or any part of a dividend or interest on the dividend, whether or not dividends on the dollar preference shares have been declared and paid in full.

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dividend period. The holders of the dollar preference shares of any series v

Any dividend which has remained unclaimed for 12 years from the date it
revert to us.

We will calculate the amount of dividends payable on the dollar preference
using the method determined by the board of directors before the shares are
than a full dividend period, for which the amount of dividend payable will be
360-day year and the actual number of days elapsed in the period, unless the
otherwise. Payments of less than \$0.01 will be rounded upwards.

Dividends declared on the dollar preference shares of any series will be paid to
holders as they appear on the register on the appropriate record dates, which are
dividend payment dates that the board of directors determines before the above
or other laws and regulations permit, each payment will be made, in the cash
bearer form, by dollar check drawn on, or by transfer to a dollar account maintained
in The City of New York or, in the case of dollar preference shares of any series,
a bank in London or in The City of New York and mailed to the record holder on the
register for the dollar preference shares. If any date on which dividends are to be
series is not a business day, then we will pay the dividend on the next business day
respect of the delay, unless it falls in the next calendar month, in which case it will be
business day. A business day is any day on which banks are open for business
conducted, in London and The City of New York.

Liquidation Rights

If we are wound up or liquidated, whether or not voluntarily, the holders of
be entitled to receive out of our surplus assets available for distribution to shareholders
dividends on the cumulative preference shares up to the date of payment, and on all
other series of non-cumulative preference shares then outstanding, and all other
of dollar preference shares as regards participation in our surplus assets, a dollar
share equal to the liquidation value per share, together with an amount equal to the
accrued to the date of payment, before any distribution or payment may be made to
other class of our shares ranking after the dollar preference shares of that series.
insufficient to pay in full the amounts payable with respect to the dollar preference
preference shares ranking equally as to any such distribution with those dollar
preference shares and other preference shares will share ratably in any distribution of
full respective preferential amounts to which they are entitled. After payment of the
to which they are entitled, the holders of the dollar preference shares will have no
and will not be entitled to any further participation in surplus assets. If there is
to any recovery with respect to the dollar preference shares in any winding up or
such proceedings to a recovery in U.S. dollars and might be entitled only to the

Optional Redemption

Unless the relevant prospectus supplement specifies otherwise, we may, at our
series, at our option, in whole or in part from time to time, on any date not later than
issued, in accordance with the notice period and at the redemption price

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prices set forth in the prospectus supplement plus the dividends otherwise accrued to the redemption date.

Each notice of redemption will specify:

the redemption date;

the particular dollar preference shares of the series to be redeemed;

the redemption price, specifying the amount of the accrued but unpaid dividends shall cease to accrue on redemption; and

the place or places where holders may surrender documents of title and

Our Articles of Association provide that no defect in the notice of redemption invalidates the redemption proceedings.

If fewer than all of the outstanding dollar preference shares of a series are to be redeemed, we will provide that, for the purposes of determining the particular dollar preference shares to be redeemed, the redemption will be made in the presence of our independent auditors.

If certain limitations contained in our Articles of Association, the specific provisions of applicable law permit (including, without limitation, the U.S. federal securities laws), we may at any time, purchase outstanding dollar preference shares of any series by tendering such shares, in the open market, or by private agreement, in each case upon the terms and conditions we shall determine. Any dollar preference shares of any series that we purchase in this manner shall be treated as cancelled and will no longer be issued and outstanding.

Under existing U.K. Financial Services Authority requirements, we may not redeem dollar preference shares unless we give prior notice to the U.K. Financial Services Authority (i) in advance and (ii) at the time when the notice of redemption is given and implemented. Such notice will be (as the case may be) in compliance with our capital adequacy requirements as determined by the U.K. Financial Services Authority. The notice will be subject to the conditions on any redemption or purchase.

Voting Rights

The holders of the dollar preference shares of any series will not be entitled to vote at any general meeting of our shareholders except as provided by applicable law or the terms of the prospectus supplement.

If any resolution is proposed for adoption by our shareholders varying the terms of the dollar preference shares of a particular series or proposing that we be wound up, the holders of the dollar preference shares will be entitled to receive notice of and to attend the general meeting at which the resolution is to be proposed and will be entitled to speak and vote on that resolution. In addition, if, before any general meeting of shareholders, we have failed to pay dividends on the dollar preference shares of a particular series for a number of dividend periods specified in the prospectus supplement, the holders of the dollar preference shares of that series shall be entitled to receive notice of and to attend the general meeting on all matters. In these circumstances only, the rights of the holders of the dollar preference shares shall continue until we have resumed the payment in full of dividends on the dollar preference shares for the number of dividend periods specified in the prospectus supplement. Holders of the dollar preference shares shall be entitled to receive notice of, attend, speak and vote at general meetings in accordance with the terms of the prospectus supplement, as specified in the prospectus supplement.

Whenever holders of dollar preference shares are entitled to vote at a general meeting, each holder present in person shall have one vote and on a poll each holder

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person or by proxy shall have the number of votes for each dollar preference share as the board of directors determines, as specified in the relevant prospectus supplement.

Our Articles of Association provide that all resolutions shall be decided by a majority of the votes cast. A declaration of the result of the vote taken on a show of hands, a poll is deemed to be taken if:

the chairman of the meeting;

not less than three shareholders present in person or by proxy;

the ADR depositary;

a shareholder or shareholders, including holders of any series of dollar preference shares, present in person or by proxy who represent at least 10% of the total number of shares entitled to vote on the resolution; or

a shareholder or shareholders present in person or by proxy and holding shares on which an aggregate sum has been paid up equal to not less than 10% of the paid up capital of that right.

The holders, including holders of any series of dollar preference shares, of our having failed to pay dividends on the series for the number of dividend periods specified in the relevant prospectus supplement, of not less than 10% of the paid up capital that at the relevant meetings are entitled to require our board of directors to convene an extraordinary meeting. Any series of dollar preference shares may have the right to vote separately on any resolution relating to the variation of rights set out below under the heading "Variation of Rights".

At June 30, 2007, we had approximately 9,450 million ordinary shares. The terms of our Articles of Association will not limit our ability to issue additional ordinary shares.

Form

The dollar preference shares of any series will, when issued, be fully paid up and will not require any additional payment. For each dollar preference share of each series issued, the amount of the share price will be credited to our issued share capital account and an amount equal to the difference between the share price and the value will be credited to our share premium account.

The dollar preference shares of each series will be represented by a single certificate. The certificate will be issued to the ADR depositary and if in bearer form the certificate will be deposited with the ADR deposit agreement. We may consider the ADR depositary to be the holder of the dollar preference shares represented by the certificate so deposited for all purposes. If the certificate is not evidenced by share certificates in registered form without dividend coupons, the certificate, if evidenced by share certificates in registered form, the share certificates will be delivered at the time of the meeting. If the prospectus supplement specifies otherwise, the dollar preference shares of any series may be evidenced by share certificates in registered form without dividend coupons.

Title to dollar preference shares of any series in registered form will pass to the holder of the certificate of the dollar preference shares of the series. Title to dollar preference shares of any series in bearer form, including any coupons appertaining to them, will pass by delivery of the relevant bearer certificate. The Articles of Association and the limitations described in the following paragraph apply to the exchange of dollar preference shares of a particular series in bearer form will be exchanged for the equivalent number of shares of the series in registered form upon surrender of the relevant bearer certificate and any coupons, if any, appertaining to them. Unless the prospectus supplement specifies otherwise,

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dollar preference shares of any series in registered form will not be exchanged for shares of such series in bearer form.

Each exchange or registration of transfer of dollar preference shares of any series in registered form will require an entry on the register for the dollar preference shares of the series kept by or for the company. Any exchange or registration of transfer will be effected without charge to the requesting person, but the requesting person will be required to pay any related taxes, stamp duties or other governmental charges of dollar preference shares of any series in bearer form for the dollar preference shares. The exchange or registration of dollar preference shares of any series in bearer form will also be subject to applicable U.K. tax laws and regulations in effect at the time of the exchange or registration, unless any resulting taxes, stamp duties or other governmental charges have been paid.

Variation of Rights

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

The written consent of the holders of 75% in nominal value of the outstanding dollar preference shares of any series or the sanction of an extraordinary resolution passed at a separate class meeting of the holders of the dollar preference shares of the series will be required if our directors propose to alter the ranking of any class of shares of any class or any security convertible into shares of any class ranking in priority to the dollar preference shares of that series, in priority to the assets, other than if we redeem or purchase the shares, in priority to the assets of the company.

If we have paid the most recent dividend payable on the dollar preference shares of any series, the dividend attached to that series will not be deemed to be varied by the creation or issue of any sterling preference shares or of any other further shares ranking in priority to the dollar preference shares of that series, whether in respect of dividend, premium on a return of capital, redemption or otherwise, in any currency, other than in sterling or other currency.

Notices of Meetings

We will cause a notice of any meeting at which holders of dollar preference shares are entitled to vote to be mailed to each record holder of dollar preference shares of that series at least 21 days before the date of the meeting;

the date of the meeting;

a description of any resolution to be proposed for adoption at the meeting; and

instructions for the delivery of proxies.

A holder of dollar preference shares of any series in registered form who is not a resident of the United Kingdom and who has not supplied an address within the United Kingdom will not be entitled to receive notices of meetings. For a description of notices that we will give to ADR holders, you should see "Where You Can Find Notices of Meetings" in the prospectus supplement our depositary will give to ADR holders, you should see "Where You Can Find Notices of Meetings" in the prospectus supplement.

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Governing Law

The creation and issuance of the dollar preference shares of any series by and construed in accordance with Scots law.

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DESCRIPTION OF AMERICAN DEPOS

The following is a summary of the general terms and provisions of the depositary will issue the ADRs. The ADR deposit agreement is among us, T holders from time to time of ADRs issued under it. This summary does not deposit agreement, which we have filed with the SEC as an exhibit to the r part. You may also read the ADR deposit agreement at the principal office and London.

American Depositary Receipts

ADRs will evidence ADSs of a particular series, which will represent c Unless the relevant prospectus supplement specifies otherwise, each ADS evidence of rights to secure one dollar preference share, deposited with the Bank of New York, as custodian. An ADR may evidence any number of A

Deposit and Withdrawal of Deposited Securities

Upon receipt of dollar preference shares of a particular series or eviden subject to the terms of the ADR deposit agreement, the ADR depositary w is presently located at 101 Barclay Street, New York, New York 10286, U depositor in writing upon payment of the fees, charges and taxes provided registered in the name of that person or persons evidencing the number of preference shares of that series.

Upon surrender of ADRs at the principal office of the ADR depositary provided in the ADR deposit agreement and subject to the terms of the AD delivery to or upon its order, at the principal office of the ADR depositary dollar preference shares of the relevant series in registered form in respect other documents of title evidenced by the surrendered ADRs. The forward title for delivery at the principal office of the ADR depositary will be at the

The ADR depositary will not deliver ADRs except upon receipt of doll not deliver dollar preference shares of the relevant series except on receipt agreement.

Dividends and Other Distributions

The ADR depositary will distribute all cash dividends or other cash dis dollar preference shares of a particular series to ADR holders in proportion representing the dollar preference shares. The cash amount distributed will depositary must withhold on account of taxes.

If we make any distribution other than in cash in respect of any deposit the ADR depositary will distribute the property received by it to ADR hold series representing the dollar preference shares. If a distribution that we ma of a particular series consists of a dividend in, or free distribution of, dollar depositary may, if we approve, and will, if we request, distribute to ADR h the series representing the dollar preference shares, additional ADRs for an as the dividend or free distribution. If the ADR depositary does not distribu from then also represent the additional dollar preference shares of the

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corresponding series distributed in respect of the deposited dollar preference

If the ADR depositary determines that any distribution in property, other than a particular series, cannot be made proportionately among ADR holders or if that we or the ADR depositary withhold an amount on account of taxes, then, if not feasible, the ADR depositary may dispose of all or a portion of the property by public or private sale, that it deems equitable and practicable, and it will distribute the balance of any such property after deduction of any taxes that we or the ADR depositary pay in the case of a distribution received in cash.

Redemption of ADSs

If we redeem any dollar preference shares of a particular series, the ADR depositary receives from the redemption of deposited dollar preference shares, a number of deposited dollar preference shares which corresponds to the number of deposited dollar preference shares which correspond to the redemption price per share payable with respect to the redemption of more than all of the outstanding dollar preference shares of a particular series, then the ADR depositary will redeem the corresponding series to be redeemed, either by lot or in proportion to the number of shares. We must give our notice of redemption in respect of the dollar preference shares to the ADR depositary before the redemption date and the ADR depositary will promptly deliver to the holders of the corresponding series.

Record Dates

Whenever any dividend or other distribution becomes payable or shall become payable to the holders of a particular series, or any dollar preference shares of a particular series are to be distributed, the ADR depositary will fix a record date for the determination of the ADR holders entitled to the distribution, amount in respect of redemption of ADSs of the corresponding series, and instructions for the exercise of voting rights at the meeting, subject to the provisions of the ADR deposit agreement. The record date will be as close in time as practicable to the record date for the underlying securities.

Voting of the Underlying Deposited Securities

Upon receipt of notice of any meeting at which holders of dollar preference shares are to vote, the ADR depositary will, as soon as practicable thereafter, mail to the holders of the corresponding series a notice which shall contain:

a summary of the notice of meeting;

a statement that the record holders of ADRs at the close of business on the date of the meeting under the ADR deposit agreement, if applicable laws and regulations and our ADR deposit agreement, as to the exercise of the voting rights pertaining to the dollar preference shares of the underlying securities; and

a brief statement of how they may give instructions, including an express instruction to the ADR depositary to give a discretionary proxy to a designated member or member of the board of directors.

The ADR depositary has agreed that it will try, if practicable, to vote on behalf of the record holders of ADRs in accordance with any written nondiscretionary instructions of record holder of ADRs on file with the ADR depositary. The ADR depositary has agreed not to vote the dollar preference shares of the underlying securities in accordance with any written instructions from the record holders of ADRs.

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Inspection of Transfer Books

The ADR depository will keep books, at its transfer office in The City of New York, New York, of all ADRs that at all reasonable times will be open for inspection by ADR holders for the purpose of communicating with ADR holders in the interest of a business transacted in connection with the ADR deposit agreement or the ADRs.

Reports and Notices

The ADR depository will make available at its principal office for inspection all communications received from us that are both received by the ADR depository for the applicable corresponding series and made generally available to the holders of such series, including our annual report and accounts. The ADR depository will also make available for inspection all reports furnished by us as provided in the ADR deposit agreement.

On or before the first date on which we give notice, by publication or otherwise, that the dollar preference shares of a particular series are entitled to vote, or of any other action in respect of any cash or other distribution payable to the holders of the dollar preference shares of a particular series, we shall transmit to the ADR depository a copy of such notice to the holders of the dollar preference shares. The ADR depository will, at our expense, forward a copy of such notice to the ADR depository of such notices, and, if we request in writing, the ADR depository will forward copies to all holders of ADRs evidencing ADSs of the corresponding series.

Amendment and Termination of the ADR Deposit Agreement

The form of the ADRs evidencing ADSs of a particular series and any amendments to those ADRs may at any time and from time to time be amended by agreement between us and the ADR depository in respect of which we may deem necessary or desirable. Any amendment that increases the taxes and other governmental charges, or that otherwise prejudices any substantial rights of the holders of ADRs evidencing ADSs of a particular series, will not take effect as to any ADRs unless and until notice has been given to the record holders of those ADRs. Every holder of any ADRs, if it has been given notice, will be deemed by continuing to hold the ADRs to be bound by the ADR deposit agreement or the ADR as amended. In no event shall we be required to require a holder of ADRs to surrender ADRs and receive in return the dollar preference shares or other property represented by the ADRs.

Whenever we direct, the ADR depository has agreed to terminate the ADR deposit agreement as to the dollar preference shares of any and all series and the deposited securities, ADSs and ADRs of such series upon notice to the record holders of all those outstanding ADRs at least 30 days before the date of termination. The ADR depository may likewise terminate the ADR deposit agreement as to any and all series and the deposited securities, ADSs and ADRs of all corresponding series by giving notice to the holders of all those outstanding ADRs at any time 60 days after it has delivered notice to the holders of any ADRs evidencing ADSs of a particular series remain outstanding after the date of termination. The ADR depository will then discontinue the registration of transfers of those ADRs, will suspend the ADR depository will not give any further notices or perform any further acts under the ADR deposit agreement except that it will continue to collect dividends and other distributions payable to the holders of the corresponding series and any other property represented by those ADRs, and will deliver to the holders of the corresponding series, together with any dividends or other distributions, the net proceeds of the sale of any

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property, in exchange for ADRs surrendered to it. At any time after two years after the date of the deposit agreement as to ADRs evidencing ADSs of a particular series, the ADR depositary will deliver to the holder of the ADRs the shares of the corresponding series and any other property represented by the ADRs, together with any other cash then held by it under the ADR deposit agreement in respect of the ADRs, for the ratable benefit of the holders of ADRs that have not previously been redeemed.

Charges of ADR Depositary

The ADR depositary will charge the party to whom it delivers ADRs a commission for delivery of dollar preference shares of a particular series or other depositary securities or fraction of 100, ADSs evidenced by the ADRs issued or surrendered. We will also charge the party to whom we deliver ADRs and those of any registrar, co-transfer agent and co-registrar under the ADR deposit agreement with respect to a particular series of dollar preference shares, as set forth in the prospectus supplement with respect to a particular series of dollar preference shares, which are exchangeable for dollar preference shares of any series states otherwise, with

taxes, including U.K. stamp duty or U.K. stamp duty reserve tax, and

any applicable share transfer or registration fees on deposits or withdrawals.

able, telex, facsimile transmission and delivery charges which the ADR depositary will charge to the holders of ADRs or persons depositing or withdrawing dollar preference shares.

expenses incurred or paid by the ADR depositary in any conversion of ADRs into ADSs.

You will be responsible for any taxes or other governmental charges payable by you in connection with the underlying your ADRs (including U.K. stamp duty or U.K. stamp duty reserve tax) on the issue of the securities underlying your ADRs). The ADR depositary may refuse to deliver or withdraw the deposited securities underlying your ADRs until such taxes or other governmental charges are paid, withhold any dividends or other distributions, or may sell for the account of the holder of the securities evidenced by the ADR, and may apply dividends or other distributions to the payment of the tax or other governmental charge, with the ADR holder remaining liable for the payment of the tax or other governmental charge.

General

Neither the ADR depositary nor we will be liable to ADR holders if performance of our obligations under the ADR deposit agreement is prevented, frustrated or interfered with by future law of any country or by any governmental authority, or by reason of any act of God or war or other event beyond our control. Our obligations under the ADR deposit agreement are expressly limited to performing our duties without gross negligence or bad faith.

If any ADSs of a particular series are listed on one or more stock exchanges, we will, as registrar or, if we request or with our approval, appoint a registrar or transfer agent for the ADRs evidencing the ADSs in accordance with any exchange requirements and a substitute or substitutes appointed by the ADR depositary if we request.

The ADRs evidencing ADSs of any series are transferable on the books of the ADR depositary. The ADR depositary may close the transfer books as to ADRs evidencing ADSs of any series when it deems it expedient to do so in connection with the performance of its duties. The ADR depositary may, in its discretion, suspend the transfer of ADRs precedent to the execution and delivery, registration of transfer, split-up, combination or exchange of ADSs of a particular series, or transfer and withdrawal of dollar preference shares.

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depository or the custodian may require the person presenting the ADR or sum sufficient to reimburse it for any related tax or other governmental charge, any applicable fees payable as provided in the ADR deposit agreement, and any other distributions, or may sell for the account of the holder any part of the ADR, and may apply dividends or other distributions or the proceeds of any distribution to the payment of any charge, with the ADR holder remaining liable for any deficiency. Any person presenting an ADR for deposit or any holder of an ADR may be required from time to time to provide proof of citizenship or residence, exchange control approval, information from the applicable registers or those maintained for us by the registrar for the dollar preference securities, and to execute certificates and to make representations and warranties that the ADR is valid and proper. Until those requirements have been satisfied, the ADR depository may suspend the transfer of any ADR or the distribution of any dividend or other distribution or proceeds of any ADR, and the transfer and surrender of ADRs of any series generally may be suspended if the ADR depository are closed or if we or the ADR depository deem necessary because of any requirement of law or of any government or governmental authority, or for any other reason, subject to the provisions of the ADR deposit agreement or for any other reason, subject to the provisions of the ADR deposit agreement and the ADRs, and the withdrawal of deposited securities and the surrender of outstanding ADRs of any series and withdrawal of deposited securities.

temporary delays caused by closing our transfer books or those of the corresponding series in connection with voting at a shareholders meeting.

the non-payment of fees, taxes and similar charges; and

compliance with any U.S. or foreign laws or governmental regulations that may require the withdrawal of the deposited securities.

The ADR deposit agreement and the ADRs are governed by and construed in accordance with the laws of the State of New York.

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PLAN OF DISTRIBUTION

We may sell relevant securities to or through underwriters or dealers and directly to other purchasers or through agents.

The distribution of the securities may be effected from time to time in a manner which may be changed, or at market prices prevailing at the time of sale, or at negotiated prices.

In connection with the sale of securities, we may compensate underwriters with commissions or in any other way that the applicable prospectus supplement describes through dealers, and the dealers may receive compensation in the form of commissions from underwriters and/or commissions from the purchasers for whom they may participate in the distribution of securities may be deemed to be underwritten by them and any profit on the resale of securities by them may be deemed to be underwritten by them under the Securities Act of 1933, as amended (the "Securities Act"). Any such underwriter compensation that we pay will be described, in the prospectus supplement.

Under agreements which we may enter into, we may be required to indemnify and participate in the distribution of securities against certain liabilities, including

Unless a prospectus supplement specifies otherwise, we will not offer securities, including ADSs or ADRs, of any series to the public in the United States in any agreement which we may enter into, underwriters, dealers and/or agents in connection with investments representing securities, including ADSs or ADRs, of any series. Any underwriter, dealer or agent in connection with an offering of securities, including ADSs or ADRs, of any series will represent and agree that:

(a) (i) it has only communicated or caused to be communicated and will not make any invitation or inducement to engage in investment activity (within the meaning of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the offer of securities representing the securities (including ADSs or ADRs) (including without limitation any prospectus, any preliminary prospectus, any ADR registration statement or any offering circular) which Section 21(1) of the FSMA does not apply to us; and (ii) it has complied with the provisions of the FSMA with respect to anything done by it in relation to the offer of securities, including ADSs or ADRs, of such series in, from or otherwise

(b) in relation to each Member State of the European Economic Area (each, a "Relevant Member State"), with effect from and including the date of implementation of the provisions implemented in that Relevant Member State (the "Relevant Implementation Date") in connection with the offer of the securities or any investments representing the securities (including ADSs or ADRs) in that Relevant Member State other than:

to legal entities which are authorized or regulated to operate in the financial markets of that Relevant Member State whose corporate purpose is solely to invest in securities;

to any legal entity which has two or more of (1) an average of at least 200 employees; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €10,000,000 in its annual or consolidated accounts;

to fewer than 100 natural or legal persons (other than qualified investors) in that Relevant Member State to obtaining the prior consent of the underwriters; or

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in any other circumstances falling within Article 3(2) of the Prospectus Directive provided that no such offer of securities or any investments representing securities shall be published pursuant to Article 3 of the Prospectus Directive.

For the purposes of this subsection (b), the expression "an offer of the securities (including ADSs or ADRs) to the public in relation to any securities (including ADSs or ADRs) in any Relevant Member State means the communication of sufficient information on the terms of the offer and the securities or investments to enable investors to decide to purchase or subscribe the securities or any investments represented by the offer. The same may be varied in that Member State by any measure implementing the Prospectus Directive and the expression "Prospectus Directive" means Directive 2003/71/EC as amended in each Relevant Member State.

Each new series of debt securities or dollar preference shares will be a market. If securities of a particular series are not listed on a U.S. national securities exchange, we may make a market in those securities, but will not be obligated to do so and may discontinue making a market without notice. We cannot give any assurance that any broker-dealer will maintain an active market or liquidity of the trading market for those securities.

Delayed Delivery Arrangements

If so indicated in the prospectus supplement, we may authorize underwriters to make offers by certain institutions to purchase dollar preference shares or debt securities. Payment and delivery on a future date. Institutions with which such contracts are entered into may include banks, insurance companies, pension funds, investment companies, educational institutions, and other institutions. In all cases such institutions must be approved by us. The obligations of any purchaser are subject to the condition that the purchase of the offered securities shall not at the time of purchase be subject to the jurisdiction to which such purchaser is subject. The underwriters and such institutions make no representation in respect of the validity or performance of such contracts.

LEGAL OPINIONS

Our United States counsel, Shearman & Sterling LLP, will pass upon certain matters of U.S. law. Our Scottish solicitors, Dundas & Wilson CS LLP, will pass upon the validity of certain matters of Scottish law. Our English solicitors, Linklaters LLP, will pass upon certain matters of English law relating to the securities.

EXPERTS

The financial statements and management's report on the effectiveness of internal control over financial reporting included in our Annual Report on Form 20-F, incorporated by reference, and the audit report of Deloitte & Touche LLP, an independent registered public accounting firm, incorporated by reference (which reports (1) express an unqualified opinion on the financial statements, (2) describe the differences between International Financial Reporting Standards and U.S. GAAP, and (3) describe the differences between International Financial Reporting Standards and U.S. GAAP, and (4) express an unqualified opinion on the effectiveness of the Group's internal control over financial reporting, and (5) express an unqualified opinion on the effectiveness of the Group's internal control over financial reporting), and the reports of such firm given upon their authority as experts in accounting and auditing.

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EXPENSES OF THE ISSUANCE

We will pay or cause to be paid the following estimated expenses (not including expenses reimbursed by us) to be incurred in connection with the issuance of the securities under the registration statement of which this prospectus is a part. Other than the expenses listed below, all other expenses are estimated.

Securities and Exchange Commission registration fee
Printing and engraving expenses
Legal fees and expenses (including Blue Sky fees)
Accountants' fees and expenses
Trustees' fees and expenses
Miscellaneous
Total

(*) A \$1,177,000 fee was previously paid in connection with our registration statement.

ENFORCEMENT OF CIVIL LIABILITY

We are a public limited company incorporated and registered in Scotland. Our directors, officers, and executive officers, and certain experts named in this prospectus, reside in Scotland. A portion of our assets and the assets of those non-resident persons are located in the United States. It may be possible for investors to effect service of process within the United States to enforce against them judgments obtained in U.S. courts predicated upon civil liability provisions of the Securities Act of 1933. We have been advised by our Scottish solicitors, Dundas & Wilson LLP, and U.S. solicitors, Linklaters LLP (as to English law), that, both in original actions brought in U.S. courts, there is doubt as to whether civil liabilities predicated solely upon the Securities Act of 1933 can be enforced in Scotland and England.

WHERE YOU CAN FIND MORE INFORMATION

Ongoing Reporting

We file reports and other information with the SEC. You can read and obtain copies of these reports at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549, or by calling 1-800-SEC-0330 for further information on the Public Reference Room. You can also access these reports at <http://www.sec.gov> which contains in electronic form each of the reports and other information that we file electronically with the SEC. You can also read this material at the offices of Linklaters LLP, 1101 Avenue of the Americas, New York, New York 10005, USA, on which certain of our securities are listed.

We will provide the trustee for any debt securities and the ADR depository agent with annual reports, which will include a description of operations, our annual audited financial statements, and so long as required by applicable SEC rules and regulations, reconciliation of our financial statements to generally accepted accounting principles. We will also provide any trustee or ADR depository agent with interim reports that will include financial information and, if we choose, may contain reconciliations of our financial statements to generally accepted accounting principles. Upon receipt, the trustee or the ADR depository agent will provide notices of meetings at which holders of debt securities or dollar preference shares. In addition, we will provide notices of meetings and communications that are made generally available to holders of debt securities.

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Registration Statement

This prospectus is part of a registration statement that we filed with the SEC. We have also filed the indentures, the ADR deposit agreement and our Articles of Incorporation and Bylaws with the SEC. This prospectus is part of the registration statement and you should read this prospectus as to the contents of any contract or other document referred to in this prospectus and in each instance reference is made to the copy of such contract or other document filed with the SEC. Each such statement being qualified in all respects by such reference to the registration statement. You can obtain the full registration statement from the SEC.

INCORPORATION OF DOCUMENTS

The SEC allows us to incorporate by reference the information that we consider important information to you by referring to these filed documents. Any information contained in this prospectus, and any information that we file with the SEC after the date of this prospectus, is deemed to update and supersede this information.

We incorporate by reference (i) our Annual Report on Form 20-F for the year ended December 31, 2006, filed with the SEC on April 24, 2007 and (ii) a Form 6-K with our interim financial report for the period ended August 15, 2007, which we furnished to the SEC on August 15, 2007. We also incorporate by reference into this prospectus, under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act and certain Rules promulgated thereunder, all documents incorporated by reference into this prospectus, that we furnish to the SEC and our underwriters sell all of the securities.

Upon written or oral request, we will provide free of charge a copy of any document incorporated by reference into this prospectus, other than exhibits which are not specifically incorporated by reference. If you obtain copies you should contact us at Citizens Financial Group, Inc., 28 S. Broad Street, Columbus, Ohio 43260, Attention: Donald J. Barry, Jr., telephone (617) 725-5810.

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**American Depositary Shares,
The Royal Bank of Scotland Group
Representing
Non-cumulative Dollar Preference Shares**
(Nominal value of U.S.\$0.01)

PROSPECTUS SUPPLEMENT
September 10, 2007

Merrill Lynch & Co.

**RBS Greenwich Capital
Morgan Stanley**

UBS Investment Bank

Banc of America Securities LLC

Lehman Brothers