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

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] 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 [X] 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 [X]

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

Yes [X] 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.

INDEX TO FORM 10-Q

PART I. FINANCIAL INFORMATION		1
Item 1.	Financial Statements	1
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	9
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	12
Item 4.	Controls and Procedures	12
PART II. OTHER INFORMATION		13
Item 4.	Submission of Matters to a Vote of Security Holders.	13
Item 6.	Exhibits	13

PART I.
FINANCIAL INFORMATION

Item 1. **Financial Statements**

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

	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		

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.

1

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	15,270,667	
Diluted	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:		
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-
Non-cash operating and financing activity:				
Accrued deferred underwriting fees	$	3,051,240	$	3,051,240
Accrued insurance installment loan	$	87,317	$	87,317

See notes to the financial statements.

4

RENAISSANCE ACQUISITION CORP.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007
(Unaudited)

Note 1. Organization and Business Operations

Renaissance Acquisition Corp. (the "Company') was incorporated in Delaware on April 17, 2006 for the purpose of effecting a merger, capital stock exchange, asset acquisition or other similar business combination with one or more operating businesses. The Company has selected December 31 as its fiscal year-end.

As of March 31, 2007, the Company had not yet commenced any operations. All activity through March 31, 2007 related to the Company's formation, its initial public offering of the securities (the "IPO") completed in February 2007 and activities to identify an operating business to acquire and negotiating and entering into an agreement to acquire an operating business. See Note 3.

Note 2.

Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared by the Company without audit on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"), certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been omitted or condensed. It is management's belief that the disclosures made are adequate to make the information presented not misleading and reflect all significant adjustments (consisting primarily of normal recurring adjustments) necessary for a fair presentation of financial position and results of operations for the periods presented. It is recommended that these financial statements be read in conjunction with the financial statements and notes thereto as of December 31, 2006 and February 1, 2007 and for the periods from inception (April 17, 2006) to December 31, 2006 and February 1, 2007 filed with the SEC and included in Form 8-K and Form 10-K filed on February 6, 2007 and April 2, 2007, respectively.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Company considers highly liquid investments with maturities of three months or less, when purchased, to be cash equivalents. Cash equivalents held in the Trust Account (see Note 3) are to be held to maturity, and accordingly, are stated at cost. Funds held in the Trust Account are restricted (see Note 3).

Accrued Underwriting Fees

Accrued underwriting fees of $3,051,240 accrued in connection with the Company's IPO are payable if and when the Company effects a business combination (see Note 3).

5

Common Stock Subject to Possible Conversion

Common stock subject to possible conversion represents 19.99% of the proceeds from the IPO placed in trust, interest income earned on the trust in excess of the $1,875,000 which may be released to the Company for operating expenses and due diligence and the estimated tax liability associated with interest income earned on the funds held in trust (see Note 3). Such amount is payable to Public Stockholders (see Note 3) who vote against a business combination and elect conversion.

Derivative Financial Instruments

Derivative financial instruments consist of warrants issued as part of the IPO and a unit purchase option that was sold to the representative of the underwriters as described in Note 3. Based on Emerging Issues Task Force 00-19, Accounting for Derivative Financial Instruments Indexed to, and Potentially Settle in, a Company's Own Stock, the issuance of the warrants and the sale of the unit purchase option were reported in stockholders' equity and, accordingly, there is no impact on the Company's financial position and results of operations, except for the $100 in proceeds from the sale of the unit purchase option. Subsequent changes in the fair value will not be recognized as long as the warrants and unit purchase option continue to be classified as equity instruments.

At the date of issuance, the Company determined the unit purchase option had a fair market value of approximately $2,333,500 using a Black-Scholes pricing model.

Net Income Per Share

Net income per share is computed by dividing net income (loss) applicable to common stockholders by the weighted average number of common shares outstanding for the period. The per share effects of net potential common shares such as warrants and options, aggregating 1,915,936 (after application of the treasury stock method), have been included in the period from January 1, 2007 through March 31, 2007. Potential common shares in connection with the underwriters' purchase option (see Note 3) aggregating 1,950,000 have not been included because the effect would be antidilutive. The potential effect on net income per share of common stock subject to possible conversion and the effect of such shares on net income available to common stockholders not electing conversion have not been presented as all interest income earned to date on the trust account is allocable to the Company for operating purposes. At such time as amounts are earned on the trust account which are allocable to common stock subject to possible conversion, pro forma net income (loss) per share will be presented.

Impact of Recently Issued Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standard ("SFAS") No. 157, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 is effective in fiscal years beginning after November 15, 2007. Management is currently evaluating the impact that the adoption of this statement may have on the Company's financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. Management is currently evaluating the impact that the adoption of this statement may have on the Company's financial statements.

Adoption of new Accounting Pronouncements

In June 2006, the FASB issued Interpretation No. ("FIN") 48, *Accounting for Uncertainty in Income Taxes*, an interpretation of FASB Statement No. 109. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS 109 and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. We adopted FIN 48 effective January 1, 2007, which had no material effect on our financial statements. Our only open tax year is 2006.

Note 3. Initial Public Offering

On February 1, 2007, the Company issued and sold 15,600,000 units ("Units") in its IPO, and on February 16, 2007, the Company issued and sold an additional 2,340,000 Units that were subject to the underwriters' over-allotment option. Each Unit consists of one share of common stock and two warrants. Each warrant entitles the holder to purchase from the Company one share of common stock at an exercise price of $5.00 commencing the later of (a) one year from the effective date of the proposed offering or (b) the completion of an acquisition. The Warrants will expire four years from the effective date of the proposed offering. The Warrants will be redeemable at a price of $.01 per Warrant upon 30 days' notice after the Warrants become exercisable, only in the event that the last sale price of the common stock is at least $8.50 per share for any 20 trading days within a 30 trading day period ending on the third day prior to the date on which notice of redemption is given.

The public offering price of each Unit was $6.00, and the gross proceeds of the IPO were $107,640,000 (including proceeds from the exercise of the over-allotment option). Of the gross proceeds: (i) $102,047,840 was deposited into a trust account (the "Trust Account"), which amount included $3,051,240 of deferred underwriting fees; (ii) the underwriters received $4,811,160 as underwriting fees (excluding the deferred underwriting fees); and (iii) the Company retained $781,000 for offering expenses. In addition, the Company deposited into the Trust Account the $2,100,000 that it received from the issuance and sale of 4,666,667 Warrants to RAC Partners LLC, an entity controlled by Barry Florescue, our Chairman and Chief Executive Officer, and Charles Miersch and Morton Farber, two of our Directors, on February 1, 2007.

In connection with the IPO, the Company sold to the representative of the underwriters for $100 an option to purchase 650,000 units for $7.50 per Unit. These units are identical to the Units issued in the IPO except that the warrants included in the units have an exercise price of $5.00. This option may be exercised for cash on a "cashless basis". This option expires February 1, 2012.

The funds in the Trust Account will be distributed to the Company (subject to stockholder claims described below) upon consummation of a business combination with one or more operating businesses (the "Business Combination") whose collective market value is at least 80% of the Company's net assets at the time of the acquisition. The Company may use the funds in the Trust Account to complete the Business Combination or for such purposes as the Company determines following the Business Combination. If the Company does not consummate a Business Combination by January 29, 2009, the funds in the Trust Account will be distributed to the stockholders then holding the shares issued in the IPO (the "Public Stockholders"). Pending distribution to the Company or the Public Stockholders, the funds in the Trust Account may be invested in government securities and certain money market funds. Interest earned on the Trust Account, up to $1,875,000, may be released to the Company for due diligence and general and administrative expenses. Through March 31, 2007, approximately $554,000 of interest had been earned on the trust account all of which is available for operating purposes.

The Company has agreed to submit the Business Combination for approval of its stockholders even if the nature of the transaction would not require stockholder approval under applicable state law. The Company will not consummate the Business Combination unless it is approved by a majority of the Public Stockholders and Public Stockholders owning less than 20% of the shares issued in the IPO vote against the Business Combination and exercise the conversion rights described below. The Company's stockholders prior to the consummation of the IPO (the "Pre-IPO Stockholders") have agreed to vote their shares of common stock owned prior to the IPO in accordance with the vote of the majority in interest of the Public Stockholders. These voting provisions will not be applicable after the consummation of the first Business Combination.

With respect to a Business Combination that is approved and consummated, any Public Stockholder who voted against the Business Combination may demand that the Company convert his or her shares into cash. The per share conversion price will equal the amount in the Trust Account inclusive of any interest (calculated as of two business

days prior to the consummation of the proposed Business Combination), divided by the number of shares of common stock held by Public Stockholders at the consummation of the IPO. Accordingly, a Business Combination may be consummated with Public Stockholders holding 19.99% of the aggregate number of shares owned by all Public Stockholders converting such shares into cash from the Trust Account. Such Public Stockholders are entitled to receive their per-share interest in the Trust Account computed without regard to the shares held by the Pre-IPO Stockholders.

The Company's Certificate of Incorporation provides for mandatory liquidation of the Company in the event that the Company does not consummate a Business Combination prior to January 29, 2009.

Note 4. Concentrations of Credit Risk

The Company maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on its cash balances. The Company did have cash on deposit exceeding the insured limit as of March 31, 2007. A portion of the cash equivalents held in a trust account is invested in marketable securities at March 31, 2007 ($6,004,000) consisting of Federal Home Loan Mortgages and Federal National Mortgages Notes that mature on April 20, May 2, and June 11, 2007. The balance is held in a municipal money fund account.

Note 5. Installment Loan

The Company has an installment loan from First Insurance Funding Corp. of N.Y. for the sole purpose of financing its insurance policy for directors' and officers' liability. The loan requires 21 installment payments of $4,898 beginning on February 28, 2007. As of March 31, 2007, $87,260 was outstanding, excluding accrued interest.

The installment loan bears interest at 7.75% per annum and will not be payable from the funds in the Trust Account, which funds will be distributed to the Public Stockholders if the Company does not consummate the initial Business Combination within the required time periods.

Note 6. Note Payable to Founding Stockholder

On April 30, 2006, the Company issued a $150,000 unsecured promissory note to Barry W. Florescue, the Company's Chairman and Chief Executive Officer (the "Note"). The Note was non-interest bearing and was payable on the earlier of April 30, 2007 or the consummation of the Offering. The Note was repaid with the proceeds of the Offering on February 1, 2007.

Note 7. Related Party Transactions

The Company pays BMD Management Company, Inc. a fee of $8,000 per month for office space and general and administrative services pursuant to an agreement between the Company and BMD Management Company with a term beginning on January 29, 2007 and ending on the effective date of the acquisition of a target business. Through March 31, 2007, $16,774 had been incurred with respect to this agreement.

The Company engages and proposes to continue to engage in ordinary course banking relationships on customary terms with Century Bank. The Company's Chairman and Chief Executive Officer is the Chairman and owner of the bank and two of the Company's Directors are directors of the bank.

The Company's Chairman and Chief Executive Officer, pursuant to an agreement with the Company and the underwriter, has agreed that if the Company liquidates prior to the consummation of a business combination, he will be personally liable to pay debts and obligations to target businesses or vendors or other entities that are owed money by the Company for services rendered or contracted for or products sold to the Company in excess of the net proceeds of the Proposed Offering not held in the trust account.

The Company's Chairman and Chief Executive Officer has also entered into an agreement with Ladenburg Thalmann, the lead underwriter for the IPO, pursuant to which he, or an entity or entities he controls, will place limit orders for $12 million of the Company's common stock commencing ten business days after the Company files its Current Report on Form 8- K announcing its execution of a definitive agreement for a business combination and ending on the business day immediately preceding the record date for the meeting of stockholders at which such business combination is to be approved.

Note 8. Preferred Stock

The Company is authorized to issue 1,000,000 shares of preferred stock with such designations, voting and other rights and preferences as may be determined from time to time by the Board of Directors.

Item 2.

Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "should," "could," "would," "expect," "plan," "anticipate," "believe," "estimate," "continue," or the negative of such terms or other similar expressions. Factors that might cause or contribute to such a discrepancy include, but are not limited to, those described in our other Securities and Exchange Commission filings.

Overview

We were formed on April 17, 2006 for the purpose of effecting a merger, capital stock exchange, asset acquisition or other similar business combination with one or more operating businesses.

On February 1, 2007, we completed our initial public offering ("IPO") of 15,600,000 units, and on February 16, 2007, we completed the sale of an additional 2,340,000 units that were subject to the underwriter's over-allotment option. Each Unit consists of one share of our common stock and two warrants entitling the holder to purchase one share of our common stock at a price of $5.00. The public offering price of each unit was $6.00, and we generated gross proceeds of $107,640,000 in the IPO (including proceeds from the exercise of the over-allotment option). Of the gross proceeds: (i) we deposited $102,047,840 into a trust account (the "Trust Account") at JP Morgan Chase NY Bank, maintained by Continental Stock Transfer & Trust Company as trustee, which included $3,051,240 of deferred underwriting fees; (ii) the underwriters received $4,811,160 as underwriting fees (excluding the deferred underwriting fees); and (iii) we retained $781,000 for offering expenses. In addition, we deposited into the Trust Account $2,100,000 that we received from the issuance and sale of 4,666,667 warrants to RAC Partners LLC, an entity controlled by Barry W. Florescue, our chairman and chief executive officer, and Charles Miersch and Morton Farber, directors on January 29, 2007.

We intend to utilize cash derived from the proceeds of our initial public offering, our capital stock, debt or a combination of cash, capital stock and debt, in effecting a business combination. The issuance of additional shares of our capital stock:

- may significantly reduce the equity interest of our stockholders;

- may subordinate the rights of holders of common stock if we issue preferred stock with rights senior to those afforded to our common stock;

- will likely cause a change in control if a substantial number of our shares of common stock are issued, which may affect, among other things, our ability to use our net operating loss carry forwards, if any, and most likely will also result in the resignation or removal of our present officers and directors; and

- may adversely affect prevailing market prices for our common stock.

Similarly, if we issue debt securities, it could result in:

- default and foreclosure on our assets if our operating revenues after a business combination are insufficient to pay our debt obligations;

- acceleration of our obligations to repay the indebtedness even if we have made all principal and interest payments when due if the debt security contains covenants that required the maintenance of certain financial ratios or reserves and we breach any such covenant without a waiver or renegotiation of that covenant;

- our immediate payment of all principal and accrued interest, if any, if the debt security is payable on demand; and

- our inability to obtain additional financing, if necessary, if the debt security contains covenants restricting our ability to obtain additional financing while such security is outstanding.

10

We intend to use substantially all of the net proceeds of our initial public offering, including the funds held in the trust account (excluding deferred underwriting discounts and commissions), to acquire a target business. To the extent that our capital stock is used in whole or in part as consideration to effect a business combination, the remaining proceeds held in the trust account as well as any other net proceeds not expended will be used as working capital to finance the operations of the target business. Such working capital funds could be used in a variety of ways including continuing or expanding the target business operations, for strategic acquisitions and for marketing, research and development of existing or new products. Such funds could also be used to repay any operating expenses or finders' fees which we had incurred prior to the completion of our business combination if the funds available to us outside of the trust fund were insufficient to cover such expenses.

Results of Operations, Financial Condition and Liquidity

Through March 31, 2007, our efforts have been limited to organizational activities, activities relating to our initial public offering, activities relating to identifying and evaluating prospective acquisition candidates, and activities relating to general corporate matters; we have neither engaged in any operations nor generated any revenues, other than interest income earned on the proceeds of our private placement and initial public offering.

Net income totaled $486,782 and $485,264 for the three months ended March 31, 2007 and for the period from inception to March 31, 2007.

Our operating expenses totaled $67,681 and $69,679 for the three months ended March 31, 2007 and for the period from inception to March 31, 2007.

We had net interest income earned on marketable securities and held in the Trust Account of $553,632 and $553,632, for the three months ended March 31, 2007 and for the period from inception (April 17, 2006) to March 31, 2007. Interest income, after $1,875,000 which may be released to the Company, excludes earnings on funds held in the Trust Account associated with common stock subject to possible conversion and, except for amounts equal to any taxes payable by us relating to such interest earned, will not be released from the Trust Account until the earlier of the completion of a business combination or the expiration of the time period during which we may complete a business combination.

Interest expense for the periods presented relates to the borrowings from the installment loan for insurance.

We have provided for only an effective tax rate of slightly over 34% on a year and inception to-date basis primarily because substantially all of the funds deposited in the Trust Account are exempt from federal, state and local taxes. For the three months ended March 31, 2007 and for the period from inception to March 31, 2007, there was no liability.

As of March 31, 2007, we had approximately $360,954 of unrestricted cash available to us for our activities in connection with identifying and conducting due diligence of a suitable business combination, and for general corporate matters. The following table shows the total funds held in the trust account through March 31, 2007:

Net proceeds from our initial public offering and private placement of warrants placed in trust	$ 104,147,840
Total interest received to date	553,632
Less total interest disbursed to us for working capital through March 31, 2007	(199,328)
Less total taxes paid through March 31, 2007	- 0 -
Total funds held in trust account through March 31, 2007	$ 104,502,144

We believe that we will have sufficient funds to allow us to operate through January 29, 2009, assuming that a business combination is not consummated during that time. Approximately $1,875,000 of working capital over this time period will be funded from the interest earned from the funds held in the trust account. Over this time period, we anticipate incurring expenses for the following purposes:

- payment of premiums associated with our director's and officer's insurance;
- payment of estimated taxes incurred as a result of interest income earned on funds currently held in the trust account;
- due diligence and investigation of prospective target businesses;
- legal and accounting fees relating to our SEC reporting obligations and general corporate matters;
- structuring and negotiating a business combination, including the making of a down payment or the payment of exclusivity or similar fees and expenses; and
- other miscellaneous expenses including the $8,000 per month to a related party for office space and general and administrative services.

Item 3.

Quantitative and Qualitative Disclosures About Market Risk

Market risk is the sensitivity of income to changes in interest rates, foreign exchanges, commodity prices, equity prices, and other market-driven rates or prices. We are not presently engaged in and, if we do not consummate a suitable business combination prior to the prescribed liquidation date of the trust fund, we may not engage in, any substantive commercial business. Accordingly, we are not and, until such time as we consummate a business combination, we will not be, exposed to risks associated with foreign exchange rates, commodity prices, equity prices or other market-driven rates or prices. The net proceeds of our initial public offering held in the trust fund may be invested by the trustee only in United States "government securities" within the meaning of Section 2(a)(16) of the Investment Company Act of 1940 having a maturity of 180 days or less, or in money market funds meeting certain conditions under Rule 2a-7 promulgated under the Investment Company Act of 1940. Given our limited risk in our exposure to government securities and money market funds, we do not view the interest rate risk to be significant.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in its reports filed pursuant to the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer (who is also the principal financial officer), as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

We carried out an evaluation, under the supervision and with the participation of its management, including our Chief Executive Officer (who is also the principal financial officer), of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on the foregoing, the Company's Chief Executive Officer (who is also the principal financial officer) concluded that the Company's disclosure controls and procedures (as defined in

Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act) were effective as of the end of the fiscal quarter ended March 31, 2007.

There have been no changes in our internal control over financial reporting during the fiscal quarter ended March 31, 2007 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

PART II.
OTHER INFORMATION

Item 4.

Submission of Matters to a Vote of Security Holders.

On January 24, 2007, our stockholders unanimously approved our amended and restated certificate of incorporation, which was filed on January 29, 2007.

Item 6. Exhibits

Exhibit Number	Exhibit Description
31.1	Certification of Chief Executive Officer Pursuant to SEC Rule 13a-14(a)/15d-14(a)
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 15, 2007	RENAISSANCE ACQUISITION CORP.	
	By:	/s/ Barry W. Florescue Barry W. Florescue
		Chief Executive Officer

EXHIBIT INDEX

Exhibit Number	Exhibit Description
31.1	Certification of Chief Executive Officer Pursuant to SEC Rule 13a-14(a)/15d-14(a)
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350

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

After completion of the Offer, we will analyze the retail activities country by country. We expect to focus on growing significant retail businesses in selected ABN AMRO countries. Factors affecting the selection of countries will include competitive advantage and scalability of the existing operations, economic growth rates and the competitive and regulatory environment for financial services. We also expect to focus on affluent banking and credit cards, products where we are strong in the United Kingdom and have significant activities outside the United Kingdom, and products likely to appeal to growing numbers of affluent customers in these high growth economies. The existing infrastructure supporting current accounts provides the possibility of a broader product offering.

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

Unaudited Pro Forma Condensed Combined Financial Information

Introduction

The proposed acquisition of ABN AMRO is to be made by RFS Holdings, a company owned jointly by RBSG, Fortis and Santander. RFS Holdings will be owned 38.3% by RBSG, 33.8% by Fortis and 27.9% by Santander. RFS Holdings will be accounted for as a subsidiary of RBSG as, although it does not have a majority of the voting rights, it will control the Board of Directors.

The unaudited pro forma condensed combined financial information (the pro forma financial information) comprising a balance sheet as at June 30, 2007 (the pro forma balance sheet) and income statements for the six months ended June 30, 2007 and the year ended December 31, 2006 (the pro forma income statements) and the related notes is based on the published audited and unaudited financial statements of RBSG and ABN AMRO, prepared in accordance with IFRS, after giving effect to the proposed sale of LaSalle by ABN AMRO to Bank of America Corporation as announced by ABN AMRO on April 23, 2007.

Given that ABN AMRO has provided the Consortium Banks with only limited access to ABN AMRO s accounting records, we did not have the information necessary to verify independently certain adjustments and assumptions, and therefore did not verify such adjustments and assumptions, with respect to ABN AMRO s financial information in preparing the pro forma financial information set out below. See Risk Factors We have not verified the reliability of the ABN AMRO information included in this prospectus supplement or otherwise publicly available and, as a result, our estimates of the impact of the Transaction on the pro forma financial information included elsewhere in this prospectus supplement may be incorrect.

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, assumptions and adjustments described 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 carried out subsequent to the acquisition (the Reorganization). The Reorganization will comprise the agreed sale of certain businesses to Fortis and Santander and also the probable sale of the non-strategic businesses to third parties.

Due to the limited information publicly available regarding the allocation of assets and liabilities to each of ABN AMRO s business segments that will be included in the reorganization, a pro forma balance sheet cannot be prepared on a basis consistent with the pro forma income statements.

IFRS vary in certain significant respects from U.S. GAAP. Information relating to the nature and the effect of such differences for the six months ended June 30, 2007 and the year ended December 31, 2006 is presented in Note 5 to the pro forma financial information. As no information is publicly available regarding the allocation of the existing differences between IFRS and U.S. GAAP related to ABN AMRO to each of its business segments that will be included in the Reorganization, a pro forma reconciliation to U.S. GAAP cannot be prepared on a basis consistent with the pro forma income statements.

The pro forma financial information has been prepared on the following basis:

Only publicly available information for ABN AMRO has been used.

The purchase consideration has been calculated assuming that 100% of the existing holders of ABN AMRO ordinary shares (including ABN AMRO ordinary shares represented by ABN AMRO ADSs) will accept the offer made by RFS Holdings.

The proposed sale of LaSalle to Bank of America Corporation is completed prior to the acquisition of ABN AMRO by RFS Holdings.

The balance sheet the unaudited consolidated balance sheets of RBSG and ABN AMRO at June 30, 2007 prepared in accordance with IFRS have been combined as if the proposed acquisition of ABN AMRO and the sale of LaSalle had occurred on June 30, 2007. No pro forma adjustments have been recognized for the reorganization of the businesses to be transferred to Fortis and Santander or the non-strategic businesses to be disposed of, as ABN AMRO does not publish sufficiently detailed segmental balance sheet data to enable such pro forma information to be compiled.

The income statements the unaudited income statements of RBSG and ABN AMRO for the six months ended June 30, 2007 and the audited income statements of RBSG and ABN AMRO for the year ended December 31, 2006 prepared in accordance with IFRS have been combined as if the proposed acquisition of ABN AMRO, the sale of LaSalle and the Reorganization had occurred on January 1, 2006.

The pro forma financial information reflects appropriate adjustments based solely on publicly available information for ABN AMRO and other estimates to account for the disposal of LaSalle, the proposed acquisition of ABN AMRO and, in the case of the pro forma income statements, the Reorganization. If the disposal of LaSalle, the acquisition of ABN AMRO and the Reorganization occur, the final determination of these estimates may result in material differences from the pro forma financial information.
These estimates include:

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

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

The fair value of consideration to be given, including RBSG s shares and the settlement of ABN AMRO s share option schemes and of assets acquired and liabilities assumed, as disclosed in ABN AMRO s published financial statements.

Potential synergy benefits have been excluded.

The presentation currency of the group is pounds sterling. Any changes in the foreign exchange rate prior to the date at which the Offer is declared unconditional may also result in material differences.

The pro forma financial information is presented for information purposes only and does not represent what the results of operations would actually have been, had the acquisition occurred on the dates indicated nor does it project the results of operations for any future period.

Table of Contents

Unaudited Pro Forma Condensed Combined Balance Sheet as at June 30, 2007
IFRS Basis

	RBSG(1)	ABN AMRO(2)	Disposal of LaSalle(3)	Acquisition Adjustments(4)	Notes	Pro forma Total
	(£m)	(£m)	(£m)	(£m)		(£m)
Assets						
Cash and balances at central banks	4,080	9,755	10,469			24,304
Loans and advances to banks	92,037	123,468				215,505
Loans and advances to customers	503,197	297,599				800,796
Treasury bills and other eligible bills, debt securities and equity shares	163,531	155,072				318,603
Intangible assets	18,868	4,808		24,738	(a)	48,414
Property, plant and equipment	18,185	2,558				20,743
Derivatives	183,313	81,056				264,369
Other assets	28,055	79,983	(56,866)	(297)	(b)	50,875
Total assets	1,011,266	754,299	(46,397)	24,441		1,743,609
Liabilities						
Deposits by banks	139,415	171,257				310,672
Customer accounts	419,317	238,575				657,892
Debt securities in issue	95,519	128,736		12,383	(c)	236,638
Settlement balances and short positions	71,969	28,442				100,411
Derivatives	183,461	79,114				262,575
Subordinated liabilities	27,079	9,904		(517)	(d)	36,466
Other liabilities	28,048	80,203	(54,131)	107	(e)	54,227
Total liabilities	964,808	736,231	(54,131)	11,973		1,658,881
Net assets	46,458	18,068	7,734	12,468		84,728
Equity						
Minority interests	4,914	1,447		30,122	(f)	36,483
Shareholders equity	41,544	16,621	7,734	(17,654)	(g)	48,245
Total equity	46,458	18,068	7,734	12,468		84,728

(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 Form 6-K. ABN AMRO financial statements data have been reformatted, to the extent possible, to RBSG s balance sheet line item presentation.

(3) See Notes to Pro Forma Condensed Combined Financial Information Note 2.

(4) See Notes to Pro Forma Condensed Combined Financial Information Note 3.

Table of Contents

Unaudited Pro Forma Condensed Combined Income Statement for the six months ended June 30, 2007
IFRS Basis

	RBSG(1)	ABN AMRO(2)(3)	Acquisition Adjustments(4)	Notes	Pro forma Total	Businesses to be transferred to Fortis and Santander(5)(6)	Pro forma RBSG	Shared Assets to be disposed of(5)(7)	Pro forma Enlarged RBSG(5)(8)
	(£m)	(£m)	(£m)		(£m)	(£m)	(£m)	(£m)	(£m)
Continuing operations									
Net interest income	5,383	3,099	(246)	(h)	8,236	(2,928)	5,308	327	5,635
Net fee and commission income	2,672	1,938			4,610	(1,225)	3,385	(79)	3,306
Income from trading activities	1,875	1,309			3,184	(334)	2,850	(4)	2,846
Other operating income (excluding insurance premium income)	1,712	743			2,455	(373)	2,082	(303)	1,779
Income of consolidated private equity holdings		1,878			1,878		1,878	(1,878)	
Insurance premium income less reinsurers share	3,048				3,048		3,048		3,048
Non-interest income	9,307	5,868			15,175	(1,932)	13,243	(2,264)	10,979
Operating income	14,690	8,967	(246)		23,411	(4,860)	18,551	(1,937)	16,614
Operating expenses	6,396	6,954			13,350	(2,977)	10,373	(2,244)	8,129
Profit before other operating charges and impairment losses	8,294	2,013	(246)		10,061	(1,883)	8,178	307	8,485
	2,415				2,415		2,415		2,415

Insurance claims less reinsurers share									
Impairment losses	871	598			1,469	(539)	930	5	935
Operating profit before tax	5,008	1,415	(246)		6,177	(1,344)	4,833	302	5,135
Tax	1,272	291	(74)	(j)	1,489	(386)	1,103	141	1,244
Profit from continuing operations, net of tax	3,736	1,124	(172)		4,688	(958)	3,730	161	3,891
Profit attributable to:									
Minority interests	75	37	718		830	(958)	(128)	217	89
Preference shareholders	106		122	(k)	228		228		228
Ordinary shareholders	3,555	1,087	(1,012)		3,630		3,630	(56)	3,574
	3,736	1,124	(172)		4,688	(958)	3,730	161	3,891
Per 25p ordinary share (pence)									
Continuing operations									
Basic	37.6				36.3		36.3		35.8
Fully-diluted	37.3				36.0		36.0		35.5
Number of shares (million)									
Weighted average ordinary shares	9,443				9,997		9,997		9,997
Weighted average diluted ordinary shares	9,605				10,159		10,159		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 Form 6-K. ABN AMRO financial statements data have been reformatted, to the extent possible, to RBSG income statement line item presentation.

ABN AMRO disclosed sufficient information in its Annual Report on Form 20-F to enable insurance premium income less reinsurers share and insurance claims less reinsurers share to be identified and the income statements for the year ended December 31, 2006 of ABN AMRO and businesses to be transferred to Fortis and Santander were reformatted to RBSG s income statement line item presentation. No equivalent adjustment has been made to the income statement for the six months

ended June 30, 2007 as ABN AMRO did not disclose comparable information in its 2007 interim Form 6-K.

(3) As the LaSalle results were presented as discontinued operations by ABN AMRO in its 2007 interim Form 6-K, the disposal of LaSalle has not been shown separately in the columnar presentation above. See Notes to Pro Forma Condensed Combined Financial Information Note 2.

(4) See Notes to Pro Forma Condensed Combined Financial Information Note 3.

(5) The pro forma income statement reflects the Reorganization and has been extracted from the segmental disclosures published in ABN AMRO s 2007 interim Form 6-K without adjustment.

(6) Businesses to be transferred to Fortis and Santander include Business Unit Netherlands (excluding wholesale clients), Business Unit Private Clients, Business Unit Asset Management, Business Unit Latin America (excluding wholesale clients businesses other than in Brazil) and Antonveneta. Global Clients and wholesale clients businesses in the Netherlands and Latin America (excluding Brazil) are to be retained by RBSG but the results attributable to 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 to Fortis and Santander, solely for the purposes of the pro forma information.

(7) Shared Assets to be disposed of comprises Business Unit Private Equity and Group Functions.

(8) Businesses to be retained by RBSG and forming part of pro forma enlarged RBSG include Business Unit North America (excluding LaSalle), Business Unit Asia (excluding Saudi Hollandi and Prime Bank), Business Unit Europe (excluding Antonveneta), and Global Clients and wholesale clients businesses in the Netherlands and Latin America (excluding Brazil). The results attributable to Saudi Hollandi and Prime Bank, non-strategic businesses to be disposed of, cannot be separately identified from the information disclosed in ABN AMRO s 2007 interim results announcement and hence are included within pro forma enlarged RBSG. The results attributable to Global Clients and wholesale clients businesses in 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 Businesses to be transferred to Fortis and Santander. This presentation is solely for the purposes of the pro forma information.

Table of Contents

Unaudited Pro Forma Condensed Combined Income Statement for the year ended December 31, 2006 IFRS basis

	RBSG(1)	ABN AMRO(2)	Disposal of LaSalle(3)	Acquisition Adjustments(4)	Notes	Pro forma Total	Businesses to be transferred to Fortis and Santander(5)(6)	Pro forma RBSG	Shared Assets to be Disposed of(5)(7)	Pro forma Enlarged RBSG(5)(8)
	(£m)	(£m)	(£m)	(£m)		(£m)	(£m)	(£m)	(£m)	(£m)
Continuing operations										
Net interest income	10,596	6,654	(1,441)	(383)	(h)	15,426	(5,261)	10,165	1,009	11,174
Net fee and commission income	5,194	4,132	(428)			8,898	(2,214)	6,684	(62)	6,622
Income from trading activities	2,675	2,584	(46)			5,213	(560)	4,653	(615)	4,038
Other operating income (excluding insurance premium income)	3,564	1,988	(292)			5,260	(737)	4,523	(774)	3,749
Income of consolidated private equity holdings		3,621				3,621		3,621	(3,621)	
Insurance premium income less reinsurers share	5,973	868				6,841	(868)	5,973		5,973
Non-interest income	17,406	13,193	(766)			29,833	(4,379)	25,454	(5,072)	20,382
Operating income	28,002	19,847	(2,207)	(383)		45,259	(9,640)	35,619	(4,063)	31,556
Operating expenses	12,480	14,118	(1,394)	(396)	(i)	24,808	(5,542)	19,266	(3,325)	15,941
Profit before other operating charges and impairment losses	15,522	5,729	(813)	13		20,451	(4,098)	16,353	(738)	15,615
Insurance claims less reinsurers share	4,458	1,007				5,465	(1,007)	4,458		4,458
Impairment losses	1,878	1,264	(42)			3,100	(1,024)	2,076	(74)	2,002
Operating profit before tax	9,186	3,458	(771)	13		11,886	(2,067)	9,819	(664)	9,155
Tax	2,689	615	(158)	(4)	(j)	3,142	(573)	2,569	50	2,619
Profit from continuing operations, net of tax	6,497	2,843	(613)	17		8,744	(1,494)	7,250	(714)	6,536
Profit attributable to:										

Minority interests	104	44	(14)	1,791		1,925	(1,494)	431	(316)	115
Preference shareholders	191			246	(k)	437		437		437
Ordinary shareholders	6,202	2,799	(599)	(2,020)		6,382		6,382	(398)	5,984
	6,497	2,843	(613)	17		8,744	(1,494)	7,250	(714)	6,536
Per 25p ordinary share (pence)(6)										
Continuing operations										
Basic	64.9					63.1		63.1		59.2
Fully-diluted	64.4					62.7		62.7		58.8
Number of shares (million)										
Weighted average ordinary shares	9,555					10,109		10,109		10,109
Weighted average diluted ordinary shares	9,729					10,283		10,283		10,283

(1) The financial information for RBSG has been extracted from the audited financial statements for the year 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 year ended December 31, 2006 published by ABN AMRO in its 2006 Annual Report on

Table of Contents

Form 20-F. ABN AMRO financial statements data have been reformatted, to the extent possible, to RBSG s income statement line item presentation.

(3) See Notes to Pro Forma Condensed Combined Financial Information Note 2.

(4) See Notes to Pro Forma Condensed Combined Financial Information Note 3.

(5) The pro forma income statement reflects the Reorganization and has been extracted from the segmental disclosures published in ABN AMRO s 2006 Annual Report on Form 20-F without adjustment except for the disposal of LaSalle.

(6) Businesses to be transferred to Fortis and Santander include Business Unit Netherlands (excluding wholesale clients), Business Unit Private Clients, Business Unit Asset Management, Business Unit Latin America (excluding wholesale clients businesses other than in Brazil) and Antonveneta. Wholesale clients businesses in the Netherlands and Latin America (excluding Brazil) are to be retained by RBSG but the results attributable to these businesses cannot be separately identified from the information disclosed in ABN AMRO s 2006 Annual Report on Form 20-F. Therefore the results of these businesses are included in Businesses to be transferred to Fortis and Santander, solely for the purposes of the pro forma information.

(7) Shared Assets to be disposed of comprises Business Unit Private Equity and Group Functions.

(8) Businesses to be retained by RBSG and forming part of pro forma enlarged RBSG include Business Unit North America (excluding LaSalle), Business Unit Global Clients, Business Unit Asia (excluding Saudi Hollandi), Business Unit Europe (excluding Antonveneta) and wholesale clients businesses in the Netherlands and Latin America (excluding Brazil). The results attributable to Saudi Hollandi, a non- strategic business to be disposed of, cannot be separately identified from the information disclosed in ABN AMRO s 2006 Annual Report on Form 20-F and hence are included within pro forma enlarged RBSG. The results attributable to wholesale clients businesses in the Netherlands and Latin America (excluding Brazil) cannot be 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. This presentation is solely for the purposes of the pro forma information.

Table of Contents

NOTES TO PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

1. Description of proposed acquisition and estimated pro forma purchase price

The pro forma financial information has been prepared on the basis of preliminary estimates and assumptions. The assumptions used to prepare the pro forma financial information (excluding those in relation to the sale of LaSalle which are disclosed in Note 2) are:

The total estimated purchase price of the proposed acquisition in the amount of £48,937 million, reflecting the offer price of 35.60 in cash and 0.296 RBSG ordinary shares for each ordinary share in ABN AMRO comprising:

Cash consideration paid of 68,239 million (£45,956 million), including transaction costs.

The issue of 554 million RBSG ordinary shares. The fair value of the ordinary shares is £3,147 million based on the closing price of RBSG ordinary shares of £5.68 as listed on the London Stock Exchange on August 30, 2007.

ABN AMRO outstanding convertible financing preference shares of 767 million purchased for a cash consideration of 783 million (£527 million) and the formerly convertible preference shares purchased for cash at 27.65 per share, the closing price on April 20, 2007, for an aggregate consideration of 1.24 million (£1 million).

ABN AMRO employee share options exercised as part of the acquisition at a weighted average strike price of 19.35 per share (based on Note 44, Share-based payment plans, in ABN AMRO s 2006 Annual Report on Form 20-F, as the ABN AMRO interim Form 6-K did not contain comparable information), resulting in a cash inflow of 1,030 million (£694 million).

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

ABN AMRO s interim Form 6-K did not disclose the fair value of financial assets and liabilities as at June 30, 2007. Accordingly, no adjustments have been made to reflect the fair value of financial assets and liabilities at that date.

Retirement benefit liabilities have been adjusted to reflect their fair value (the net pension liability at December 31, 2006 disclosed in the ABN AMRO 2006 Annual Report on Form 20-F as ABN AMRO did not disclose equivalent data at June 30, 2007 in its 2007 interim Form 6-K).

The fair value of property, plant and equipment and other non-financial assets and liabilities is not materially different from the balance sheet carrying values disclosed in the ABN AMRO 2007 interim Form 6-K.

There is not sufficient publicly available information to split goodwill and other intangible assets arising from the proposed acquisition. Accordingly, the allocation of goodwill is preliminary and may change once a valuation of intangible assets has been carried out and consequently future results may change due to the amortization of any intangible assets identified.

Tax rates have been applied to individual adjustments as considered to be appropriate to the nature and jurisdiction of 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 has been accounted for using the purchase method of accounting in accordance with IFRS and U.S. GAAP. ABN AMRO did not publish fair values for its financial assets and financial liabilities at June 30, 2007. Consequently, with

Table of Contents

limited exceptions, this purchase price allocation is based on the historical carrying value of ABN AMRO assets and liabilities as at June 30, 2007.

Based on initial estimates, and subject to changes upon completion of a final valuation, which may be material, the preliminary allocation of the estimated purchase price is:

	(£m)	(£m)
Cash and balances at central banks		20,224
Loans and advances to banks		123,468
Loans and advances to customers		297,599
Treasury bills and other eligible bills, debt securities and equity shares		155,072
Property, plant and equipment		2,558
Derivatives		81,056
Other assets		22,820
Total assets		702,797
Deposits by banks		171,257
Customer accounts		238,575
Debt securities in issue		129,005
Settlement balances and short positions		28,442
Derivatives		79,114
Subordinated liabilities		9,387
Other liabilities		26,179
Total liabilities		681,959
Net assets		20,838
Estimated purchase consideration		48,937
Less: Estimated fair value of net assets	20,838	
Minority interests of ABN AMRO not acquired	(1,447)	
		(19,391)
Goodwill		29,546

If the proposed acquisition occurs, RBSG will undertake, after the closing date, a comprehensive assessment of the fair value of assets and liabilities acquired in order to estimate the value of goodwill. Identified intangible assets, upon completion of the fair value assessment, will be amortized over their estimated useful lives.

2. Disposal of LaSalle

The proposed acquisition is subject to an offer condition that prior to completion of the proposed acquisition, the agreement for the sale of LaSalle to Bank of America Corporation has been completed in accordance with its terms. The estimated effects of the disposal of ABN AMRO North America Holding Company (AANAH) which principally consists of the retail and commercial banking activities of LaSalle were based solely on publicly available information published by ABN AMRO within the ABN AMRO 2007 interim Form 6-K for the six months ended June 30, 2007 and the ABN AMRO Unaudited Pro Forma Condensed Financial Statements furnished to the SEC on a Form 6-K on April 25, 2007.

ABN AMRO will receive cash consideration of U.S.$21,000 million (£10,469 million) from Bank of America Corporation as set out in the Purchase and Sale Agreement by and between ABN AMRO and Bank of America dated April 22, 2007 and filed with the SEC by ABN AMRO on a Current Report on Form 6-K on April 24, 2007. The cash consideration will be adjusted in accordance with the terms of the Bank of America Agreement if the actual net income of LaSalle for the three months ended March 31, 2007 and the net income of LaSalle, with certain limited adjustments, for the period commencing on April 1, 2007 and concluding on the earlier of the date of the closing of the sale of LaSalle and

Table of Contents

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

The estimated effects of the disposal of LaSalle on the pro forma balance sheet consisted of the following:

The elimination of the LaSalle assets and liabilities at June 30, 2007, as disclosed in Note 11 of the ABN AMRO 2007 interim Form 6-K referred to above. These assets and liabilities were presented as single line items within Other assets and Other liabilities as LaSalle was classified as held-for-sale.

The estimated cash proceeds of U.S.$21,000 million (£10,469 million) receivable from Bank of America.

The estimated gain on sale of £7,734 million is based on the cash proceeds of £10,469 million and the net assets of LaSalle as disclosed in ABN AMRO s 2007 interim Form 6-K referred to above.

The Bank of America Agreement also anticipates the conversion to equity by ABN AMRO, prior to completion, of U.S.$6,148 million (£3,065 million) of loans which it currently extends to AANAH. The impact of the conversion of these loans into equity is not included in the pro forma balance sheet or income statement as there is insufficient publicly available information to conclude whether these loans were included in the LaSalle assets and liabilities published in ABN AMRO s 2007 interim Form 6-K referred to above.

The LaSalle results for the six months ended June 30, 2007 were presented as discontinued operations by ABN AMRO in its 2007 interim Form 6-K filed on July 30, 2007 and therefore no adjustment is required to the results from continuing operations in the pro forma condensed combined income statement for the six months ended June 30, 2007. The estimated effects of the disposal of LaSalle on the pro forma condensed combined income statement for the year ended December 31, 2006 consist of the elimination of the historical revenues and expenses presented in the unaudited condensed consolidated IFRS income statement for the year ended December 31, 2006 of AANAH disclosed in the ABN AMRO Unaudited Pro Forma Condensed Financial Statements referred to above.

No provision for taxation that may become payable on the sale of LaSalle to Bank of America Corporation has been included as there is insufficient publicly available information to assess any potential liability that may arise.

The impact of the disposal of LaSalle as disclosed above and included in the pro forma financial information is estimated based on publicly available information in the referred to documents and therefore is subject to change once the transaction is completed. The results related to the disposal of LaSalle should be read in conjunction with ABN AMRO s 2007 interim Form 6-K furnished on July 30, 2007 and its Form 6-K furnished on April 25, 2007.

3. Acquisition adjustments

The acquisition adjustments included in the pro forma financial information have been prepared as if the proposed acquisition was completed on June 30, 2007 for the balance sheet and on January 1, 2006 for the income statements.

ABN AMRO published fair values of financial assets and liabilities at December 31, 2006 in its 2006 Annual Report on Form 20-F but not as at June 30, 2007 in its 2007 interim Form 6-K. Consequently, it is not possible to reflect acquisition adjustments in respect of the fair value of financial assets and liabilities in the pro forma combined balance sheet or in the pro forma combined income statements.

Adjustments to the balance sheet reflect:

(a) The recognition of estimated purchased goodwill of £29,546 million arising from the proposed acquisition less the elimination of existing goodwill and other intangibles, £4,808 million, as disclosed in ABN AMRO s 2007 interim Form 6-K. It is not possible separately to identify intangible assets from goodwill relating to the proposed acquisition.

(b) Deferred tax adjustment in respect of the present value of ABN AMRO s net post-retirement employee benefit liabilities, £116 million (see (e) below, calculated at an estimated tax rate of 28% based on a weighted average of the tax rates applicable in the jurisdictions in which ABN AMRO operates), less the elimination of the deferred tax asset 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 did not disclose equivalent information about the deferred tax asset in respect of intangible assets including goodwill at June 30, 2007 in its 2007 interim Form 6-K. 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, together with transaction costs, of £12,383 million, financed by the issuance of debt securities.

(d) The purchase for cash of the outstanding convertible financing preference shares and the redemption of 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 employment benefit liability of £415 million necessary to reflect the present value of the defined benefit obligation less the fair value of plan assets, as disclosed in ABN AMRO s 2006 Annual Report on Form 20-F, less (ii) the elimination of the deferred tax liability in respect of intangible assets including goodwill, as disclosed in ABN AMRO s 2006 Annual Report on Form 20-F, £308 million. Data at December 31, 2006 in respect of the present value of ABN AMRO s net post-retirement employee benefit liability and the deferred tax liability in respect of intangible assets including goodwill were used as ABN AMRO did not disclose equivalent information at June 30, 2007 in its 2007 interim Form 6-K. 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 euro-denominated equity preference shares with a coupon rate of 6.85% (representing the estimated rate applicable to such instruments had they been issued on August 30, 2007) for £3,554 million less the elimination of ABN AMRO s shareholders equity upon consolidation of £16,621 million and the estimated gain arising from the disposal of LaSalle of £7,734 million.

No balance sheet adjustments have been made to reflect the businesses to be transferred to Fortis or Santander or the disposal of non-strategic businesses as ABN AMRO does not publish sufficiently detailed segmental balance sheet data in its 2007 interim Form 6-K to enable information related to these businesses to be identified.

Adjustments to the income statement reflect:

(h) Interest payable of £246 million for the six months ended June 30, 2007 (£383 million for the year ended December 31, 2006) in respect of funding RBSG s investment in RFS Holdings, based on the issuance of £12,114 million euro-denominated debt securities at an equivalent interest rate of 4.05%, being the average 3 month Euribor interest rate for the first half of 2007 (year ended December 31, 2006 3.16%, being the average 3 month Euribor interest rate for 2006) (considered the appropriate market rates applicable to such instruments), including related fees. Had the 3 month Euribor interest rate on August 30, 2007 of 5.00%, including related fees, been applied in calculating the interest payable in respect of funding RBSG s investment in RFS Holdings, the interest payable for the six months ended June 30, 2007 and the year ended December 31, 2006 would have been £304 million and £604 million respectively.

(i) Reversal of amortization of other intangible assets recorded on ABN AMRO s balance sheet but not recognized separately from goodwill in the acquisition accounting, £378 million and the reduction in staff costs on recognition of the present value of ABN AMRO s net post-retirement employee benefit liabilities, £18 million, for the year ended December 31, 2006. ABN AMRO did

S-32

Table of Contents

not disclose equivalent data for the six months ended June 30, 2007 in its 2007 interim Form 6-K and therefore no adjustments have been made for the six months ended June 30, 2007.

(j) Current and deferred tax charges and credits relating to the adjustments above at tax rates considered to be appropriate to the nature and jurisdiction of such adjustments.

(k) Equity preference share dividends of £122 million for the six months ended June 30, 2007 (£246 million for the year ended December 31, 2006) relating to £3,554 million of euro-denominated equity preference shares with a coupon rate of 6.85% issued by RBSG to fund its investment in RFS Holdings. Data for the year ended December 31, 2006 has been updated to reflect the estimated coupon rate as at August 30, 2007.

(l) Earnings per share and weighted average number of RBSG shares for the year ended December 31, 2006 adjusted 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 data

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

The weighted average number of shares outstanding during the six months ended June 30, 2007 and the year ended December 31, 2006 for the unaudited pro forma condensed combined income statements are based on the estimated equivalent weighted average number of ordinary shares for RBSG following the proposed acquisition. The weighted average number of RBSG shares in issue during the year ended December 31, 2006 has been adjusted for the two-for-one bonus issue of ordinary shares effected on May 8, 2007.

For illustrative purposes, earnings per share are calculated as if the ordinary shares issued by RBSG as part of the consideration for the proposed acquisition of ABN AMRO had occurred on January 1, 2006. Under the terms of the proposed acquisition, RBSG will issue 0.296 RBSG ordinary shares for each ABN AMRO share, increasing the weighted average number of shares in issue during 2006 and the first half of 2007 by 554 million shares.

Earnings per share data on an IFRS basis

	For the six months ended June 30, 2007		For the year ended December 31, 2006	
	RBSG	Pro forma Enlarged RBSG	RBSG	Pro forma Enlarged RBSG
	(£m)	(£m)	(£m)	(£m)
Earnings from continuing operations				
Profit attributable to ordinary shareholders	3,555	3,574	6,202	5,984
Add back dividends on dilutive convertible non-equity shares	31	31	64	64
Diluted earnings attributable to ordinary shareholders	3,586	3,605	6,266	6,048
		(Number of shares	Millions)	
Number of ordinary shares				
Weighted average number of ordinary shares in issue during the year	9,443	9,443	9,555	9,555
Shares issued under proposed acquisition		554		554

Weighted average number of ordinary shares in issue following the proposed acquisition	9,443	9,997	9,555	10,109
Effect of dilutive share options and convertible non-equity shares	162	162	174	174
Diluted weighted average number of ordinary shares in issue following the proposed acquisition	9,605	10,159	9,729	10,283

5. Reconciliation to U.S. GAAP

Reconciliations of the unaudited pro forma combined profit attributable to ordinary shareholders under IFRS to the unaudited pro forma combined net income available for ordinary shareholders under U.S. GAAP for the six months ended June 30, 2007 and the year ended December 31, 2006 and pro forma combined shareholders equity under IFRS to pro forma combined shareholders equity under U.S. GAAP as at June 30, 2007 are set out below. For additional information on these adjustments, refer to Note 13 in the RBSG 2007 interim Form 6-K filed with the SEC on August 15, 2007, Note 47 in the RBSG 2006 Annual Report on Form 20-F, ABN AMRO s Form 6-K filed with the SEC on August 31, 2007, Note 50 in the ABN AMRO 2006 Annual Report on Form 20-F and the Reconciliation to U.S. GAAP included in the ABN AMRO Unaudited Pro Forma Condensed Financial Statements furnished to the SEC on a Form 6-K on April 25, 2007.

No adjustments have been made in the unaudited pro forma combined IFRS U.S. GAAP net income or shareholders equity reconciliations to reflect ABN AMRO s discontinued operations (except in relation to LaSalle see below), the businesses to be transferred to Fortis or Santander or the non-strategic businesses to be disposed, as ABN AMRO did not publish sufficiently detailed data in its Form 6-K filed with the SEC on August 31, 2007 or its 2006 Annual Report on Form 20-F to enable IFRS U.S. GAAP differences relating to these businesses to be identified. Therefore, the following reconciliations are not prepared on a continuing operations basis.

ABN AMRO published IFRS U.S. GAAP adjustments for the year ended December 31, 2006 relating to LaSalle in its Form 6-K filed on April 25, 2007. Similar information for the six months ended June 30, 2007, however, was not published in ABN AMRO s Form 6-K filed on August 31, 2007. Therefore, in the pro forma IFRS U.S. GAAP reconciliations as of and for the six months ended June 30, 2007 below, IFRS U.S. GAAP adjustments relating to allowances for loan losses, leasehold and property provisions and related tax effects (based on a tax rate of 31.4%, as published in ABN AMRO s Form 6-K filed on July 30, 2007) have been assumed to relate entirely to LaSalle based on information in ABN AMRO s Form 6-K filed on April 25, 2007. It is not possible to make similar

Table of Contents

assumptions for other adjustments. Consequently, pro forma combined U.S. GAAP information as of and for the six months ended June 30, 2007 may differ from the amounts presented here.

	RBSG	ABN AMRO	Disposal of LaSalle	Acquisition and Other Adjustments	Notes	Pro forma Total
	(£m)	(£m)	(£m)	(£m)		(£m)
Consolidated statement of income for the six months ended June 30, 2007						
Profit attributable to ordinary shareholders IFRS	3,555	1,461	(298)	(1,012)	(1)	3,706
Adjustments in respect of:						
Acquisition accounting and intangibles	(28)	(8)		8	(2)	(28)
Property revaluation and depreciation	(231)					(231)
Leasehold property and restructuring provisions	(10)	(22)	22			(10)
Loan origination	(22)					(22)
Allowance for loan losses		(17)	17		(3)	
Pension costs	(102)	(35)		35	(2)	(102)
Sale and leaseback transactions	(36)					(36)
Long-term assurance business	(28)					(28)
Financial instruments	(154)	(66)				(220)
Derivatives and hedging	(234)	150				(84)
Liability and equity	23				(4)	23
Other	45	14				59
Taxation	76	(20)	(12)	(12)	(2)	32
Net income available to ordinary shareholders U.S. GAAP	2,854	1,457	(271)	(981)		3,059
Earnings per share: Total U.S. GAAP (pence)						
Basic	30.2					30.6
Fully-diluted	30.0					30.4

S-35

	RBSG	ABN AMRO	Disposal of LaSalle	Acquisition and Other Adjustments	Notes	Pro forma Total(4)
	(£m)	(£m)	(£m)	(£m)		(£m)
Consolidated statement of income for the year ended December 31, 2006						
Profit attributable to ordinary shareholders IFRS	6,202	3,214	(599)	(2,020)	(1)	6,797
Adjustments in respect of:						
Acquisition accounting and intangibles	(62)	(583)	32	551	(2)	(62)
Property revaluation and depreciation	(470)					(470)
Leasehold property and restructuring provisions	46	(109)	109			46
Loan origination	(91)					(91)
Allowance for loan losses		(40)	40		(3)	
Pension costs	(387)	(162)	12	150	(2)	(387)
Sale and leaseback transactions	(84)					(84)
Long-term assurance business	(12)					(12)
Financial instruments	196	(153)	214			257
Derivatives and hedging	(454)	770				316
Liability and equity	177				(4)	177
Other	(31)	44	(192)			(179)
Taxation	410	35	(53)	(199)	(2)	193
Net income available to ordinary shareholders U.S. GAAP	5,440	3,016	(437)	(1,518)		6,501
Earnings per share: Total U.S. GAAP (pence)						
Basic	56.9					64.3
Fully-diluted	56.6					63.8

Table of Contents

	RBSG	ABN AMRO	Disposal of LaSalle	Acquisition and Other Adjustments	Notes	Pro forma Total
	(£m)	(£m)	(£m)	(£m)		(£m)
Consolidated shareholders equity at June 30, 2007						
Shareholders equity IFRS	41,544	16,621	7,734	(17,654)	(1)	48,245
Adjustments in respect of:						
Acquisition accounting and intangibles	431	3,014		(3,014)	(5)	431
Property revaluation and depreciation	(865)					(865)
Leasehold property and restructuring provisions	74	19	(19)			74
Loan origination	497					497
Allowance for loan losses		(372)	372		(5)	
Pension costs	(168)	(434)		434	(5)	(168)
Sale and leaseback transactions	(116)					(116)
Long-term assurance business	(87)					(87)
Financial instruments	(2,399)	184		(184)	(5)	(2,399)
Derivatives and hedging	(54)	(94)		94	(5)	(54)
Liability and equity	1,493	517		(517)	(5)	1,493
Other	(33)	42		(42)	(5)	(33)
Taxation	775	(135)	(111)	246	(5)	775
Shareholders equity U.S. GAAP	41,092	19,362	7,976	(20,637)		47,793

Notes:

(1) Adjustments to the pro forma profit attributable to ordinary shareholders IFRS of £1,012 million for the six months ended June 30, 2007 (£2,020 million for the year ended December 31, 2006) and to the pro forma combined shareholders equity IFRS of £17,654 million reflect acquisition adjustments under IFRS arising from the proposed acquisition and are explained in Note 3, Acquisition adjustments.

(2) U.S. GAAP adjustments previously reported by ABN AMRO relating to acquisition accounting and intangibles and pension costs together with their estimated related tax effects, are superseded by RBSG s acquisition accounting adjustments.

(3) Item 4A of ABN AMRO s Form 20-F/A for the year ended December 31, 2006, filed with the SEC on August 3, 2007, states that ABN AMRO is in discussions with the SEC Staff with respect to an SEC comment on the Allowance for loan losses reconciling item. This reconciling item relates to LaSalle. Accordingly, ABN AMRO s resolution of this matter will 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, its IFRS U.S. GAAP net income reconciling adjustment on preference shares represents dividends on preference shares classified as liabilities under IFRS and as equity under U.S. GAAP. Accordingly, this adjustment does not affect U.S. GAAP net income

available to ordinary shareholders and has therefore been excluded from the net income reconciliations.

(5) As the pro forma combined IFRS-U.S. GAAP shareholders equity reconciliation at June 30, 2007 has been prepared on the assumption that the acquisition took place on that date, the adjustments in ABN AMRO s IFRS-U.S. GAAP shareholders equity reconciliation have been eliminated.

Under IFRS and U.S. GAAP, on the acquisition of ABN AMRO, its identifiable assets, liabilities and contingent liabilities will be measured at fair value and the difference between the purchase consideration and the fair value of net assets acquired, recorded as goodwill. There are differences in both the recognition of net assets acquired and the measurement of consideration between IFRS and U.S. GAAP. Any such differences in the value of net assets acquired will be matched by an equal and

Table of Contents

opposite difference in goodwill on acquisition recorded under IFRS and under U.S. GAAP; RBS s consolidated shareholders equity will be unaffected.

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

	For the six months ended June 30, 2007		For the year ended December 31, 2006	
	RBSG	Pro forma Total	RBSG	Pro forma Total
	(£m)	(£m)	(£m)	(£m)
Earnings				
Profit attributable to ordinary shareholders	2,854	3,059	5,440	6,501
Add back dividends on dilutive convertible non-equity shares	31	31	64	64
Diluted earnings attributable to ordinary shareholders	2,885	3,090	5,504	6,565
	(Number of shares Millions)			
Number of ordinary shares				
Weighted average number of ordinary shares in issue during the year	9,443	9,443	9,555	9,555
Shares issued under proposed acquisition		554		554
Weighted average number of ordinary shares in issue following the proposed acquisition	9,443	9,997	9,555	10,109
Effect of dilutive share options and convertible non-equity shares	159	159	174	174
Diluted weighted average number of ordinary shares in issue following the proposed acquisition	9,602	10,156	9,729	10,283

Table of Contents

CERTAIN TERMS OF THE SERIES T PREFERENCE SHARES

The following summary of certain terms and provisions of the Series T preference shares supplements the description of certain terms and provisions of the Dollar Preference Shares of any series set forth in the accompanying prospectus under the heading Description of Dollar Preference Shares . The summary of the terms and provisions of the Series T preference shares set forth below and in the accompanying prospectus does not purport to be complete and is subject to, and qualified in its entirety by reference to, our memorandum and articles of association and the resolutions adopted by our board of directors establishing the rights, preferences, privileges, limitations and restrictions relating to the Series T preference shares. We will file a copy of these resolutions under the cover of a Report on Form 6-K with the SEC at the time of the sale of the Series T ADSs representing the Series T preference shares. If this prospectus supplement sets forth any term or condition that is inconsistent with the description contained in the accompanying prospectus, the description of the terms contained in this prospectus supplement will replace the description contained in the accompanying prospectus.

General

The Series T preference shares constitute a separate series of our Category II non-cumulative dollar preference shares. The Series T preference shares will be in bearer form represented by a single certificate and will be represented by ADSs evidenced by ADRs. The certificate in bearer form will be deposited with the ADR depositary under the ADR deposit agreement. A summary of certain terms and provisions of the ADR deposit agreement pursuant to which ADRs evidencing the Series T ADSs are issuable is set forth in the accompanying prospectus under the heading Description of American Depositary Receipts .

As of the date of this prospectus supplement, our issued and outstanding non-cumulative preference shares, which rank equally with the Series T preference shares as to any distribution of our surplus assets in the event that we are wound up or liquidated, have a U.S. dollar-equivalent aggregate liquidation preference of approximately $11 billion.

Dividends

Non-cumulative preferential dividends on the Series T preference shares will accrue from the issue date. Subject to the limitations described below, these dividends will be payable quarterly in arrears on, and to the holders of record 15 days prior to, March 31, June 30, September 30 and December 31 of each year (each, a dividend payment date), commencing on . References to a dividend period shall be to each period beginning on (and including) a dividend payment date (or, in the case of the first such period, the issue date to (but excluding) the next following dividend payment date). We will pay dividends on the Series T preference shares as and if declared by the board of directors as described below and in the accompanying prospectus under the heading Description of Dollar Preference Shares Dividends .

Subject to the limitations described below, we will pay dividends on the Series T preference shares out of our distributable profits in U.S. dollars, at the rate of % per annum, or $ quarterly, per Series T preference share. Dividends on the Series T preference shares in respect of a particular dividend payment date will not be declared and paid if (i) in its sole and absolute discretion, our board of directors resolves prior to the relevant dividend payment date that such dividend (or part thereof) shall not be declared and paid or (ii) in the opinion of the board of directors, payment of a dividend would breach or cause a breach of the capital adequacy requirements, regulations, guidelines or policies of the U.K. Financial Services Authority (or any person or body to whom its banking supervision functions are transferred) that apply at that time to us and/or any of our subsidiaries, or, subject to the next following paragraph, our distributable profits, after the payment in full, or the setting aside of a sum to provide for the payment in full, of all dividends stated to be payable on or before the relevant dividend payment date on the 400,000 $5^1/2$ percent cumulative preference shares of £1 each in our capital and the 500,000 11 percent cumulative preference shares of £1 each in our capital (together, the cumulative preference shares) (and any arrears of dividends thereon), are insufficient to cover the payment in full of dividends on the Series T preference shares and dividends on any of our other shares stated to be payable on the same date as the dividends on the Series T preference shares and ranking equally as to dividends with the

Series T preference shares. The U.K. Companies Act 1985, as amended, (the Companies Act) defines distributable profits as, in general terms, and subject to adjustment, accumulated realized profits less accumulated realized losses. If any dividend otherwise payable on any dividend payment date is not declared and/or paid in full by reason of any of the matters referred to in this paragraph, we will notify the holders of the Series T preference shares as soon as reasonably practicable after the date of the resolution referred to herein or, in the case of sub-clause (ii) hereof, after the opinion referred to therein has been formed. Each such notification shall specify the reasons why the relevant dividend has not been declared and/or paid in full.

If dividends are to be paid but our distributable profits are, in the opinion of the board of directors, insufficient to enable payment in full of dividends on any series of dollar preference shares on any dividend payment date and also the payment in full of all other dividends stated to be payable on such date on any other non-cumulative preference shares and any other share capital expressed to rank *pari passu* therewith as regards participation in profits, after payment in full, or the setting aside of a sum to cover the payment in full, of all dividends stated to be payable on or before such date on any cumulative preference share, then the board of directors shall (subject always to sub-clauses (i) and (ii) of the preceding paragraph) declare and pay dividends to the extent of the available distributable profits (if any) on a *pro rata* basis so that (subject as aforesaid) the amount of dividends declared per share on the Series T preference shares and the dividends stated to be payable on such date on any other non-cumulative preference shares and any other share capital expressed to rank *pari passu* therewith as regards distribution of profits will bear to each other the same ratio that accrued dividends per share on the Series T preference shares and other non-cumulative preference shares, and any other share capital expressed to rank *pari passu* therewith as regards participation in profits, bear to each other.

Dividends on our currently outstanding cumulative preference shares, including any arrears, are payable in priority to any dividends on the Series T preference shares, and as a result, we may not pay any dividend on the Series T preference shares unless we have declared and paid in full dividends on such currently outstanding cumulative preference shares, including any arrears.

To the extent that any dividend on the Series T preference shares is, on any occasion, not declared and paid in full by reason of the exercise of the board of directors discretion referred to in sub-clause (i) of the second paragraph of this section, holders of Series T preference shares or Series T ADSs shall have no claim in respect of such non-payment. In addition, such non-payment shall not prevent or restrict (a) the declaration and payment of dividends on any other series of dollar preference shares or on any of our non-cumulative preference shares expressed to rank *pari passu* with our dollar preference shares, (b) the setting aside of sums for the payment of dividends referred to in (a), (c) except as set forth in the following paragraph, the redemption, purchase or other acquisition of our shares by us, or (d) except as set forth in the following paragraph, the setting aside of sums, or the establishment of sinking funds, for any such redemption, purchase or other acquisition by us.

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

The Series T preference shares shall not rank after any other series of preference shares with which they are expressed to rank *pari passu* as regards participation in profits, by reason only of the board of directors discretion referred to in sub-clause (i) of the second paragraph of this section, or any dividend on the Series T preference shares not being paid by virtue of such discretion.

If we have not declared and paid in full the dividend stated to be payable on the Series T preference shares on the most recent dividend payment date, or if we have not set aside a sum to provide for payment in full, in either case for any of the reasons set out in sub-clause (ii) of the second paragraph of this section, we may not declare or pay any dividends upon any of our other share capital (other than the cumulative preference shares) and we may not set aside any sum to pay such dividends, unless, on the date of declaration, we set aside an amount equal to the dividend for the then-current dividend period payable on the Series T preference shares to provide for the payment in full of the dividend on the Series T preference shares on the next dividend payment date. If any dividend stated to be payable on the Series T preference shares has not been declared and paid in full, or if we have not set aside a sum to provide for its payment in full, in either case for any of the reasons set out in sub-clause (ii) of the second paragraph of this section, then we may not redeem, purchase or otherwise acquire for any consideration any of our other share capital, and we may not set aside any sum or establish any sinking fund for the redemption, purchase or other acquisition thereof, until such time as dividends on the Series T preference shares in respect of successive dividend periods together aggregating no less than 12 months shall thereafter have been declared and paid in full.

Dividends on the Series T preference shares will be non-cumulative. If the board of directors does not pay a dividend or any part thereof payable on a dividend payment date in respect of the Series T preference shares for any of the reasons set out in the second paragraph of this section, then holders of Series T preference shares or Series T ADSs will have no claim in respect of such non-payment and we will have no obligation to pay the dividend accrued for the dividend period or to pay any interest on the dividend, whether or not dividends on the Series T preference shares are declared for any future dividend period. Except for the payment of dividends as set forth in this section, the holders of the Series T preference shares will have no right to participate in our profits.

Rights upon Liquidation

If we are wound up or liquidated, whether or not voluntarily, the holders of the Series T preference shares will be entitled to receive in U.S. dollars out of our surplus assets available for distribution to shareholders, after payment of arrears (if any) of dividends on the cumulative preference shares, as described in the accompanying prospectus, up to the date of payment, equally with the cumulative preference shares and all of our other shares ranking equally with the Series T preference shares as regards participation in our surplus assets, a distribution of $25.00 per Series T preference share, together with an amount equal to dividends for the then-current dividend period accrued to but excluding the date of payment, before any distribution or payment may be made to holders of our ordinary shares or any other class of our shares ranking after the Series T preference shares. See Description of Dollar Preference Shares Liquidation Rights in the accompanying prospectus. If the holders of the Series T preference shares are entitled to any recovery with respect to the Series T preference shares in any winding-up or liquidation, they might not be entitled in such proceedings to a recovery in U.S. dollars and might be entitled only to a recovery in pounds sterling.

Optional Redemption

We may redeem the Series T preference shares, at our option, in whole (but not in part) on any business day that falls on or after upon not less than 30 nor more than 60 days notice, at a redemption price of $25.00 per Series T preference share plus the dividends otherwise payable for the then-current dividend period accrued to, but excluding, the redemption date.

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

See Certain U.S. Federal and U.K. Tax Consequences Taxation of Dividends for a discussion of the tax consequences to a U.S. holder of the receipt of amounts equal to accrued dividends in conjunction with any redemption of any Series T preference shares and Certain U.S. Federal and U.K. Tax Consequences Taxation of Capital Gains for a discussion of the tax consequences to a U.S. holder of a redemption.

If certain limitations contained in our Articles of Association, the special rights of any of our shares, and the provisions of applicable law permit (including, without limitation, the U.S. federal securities laws), we may, at any time or from time to time, purchase outstanding Series T preference shares by tender, available to all holders of the Series T preference shares, in the open market or by private agreement, in each case upon the terms and conditions that the board of directors shall determine. Any Series T preference shares that we purchase for our own account will, pursuant to applicable law, be treated as cancelled and will no longer be issued and outstanding.

Substitution

Subject to our Articles of Association, the provisions of the Companies Act and all other laws and regulations applying to us and to the prior consent of the U.K. Financial Services Authority (if required), in each case subject also to any condition the U.K. Financial Services Authority may impose on the redemption or substitution, we may substitute the Series T preference shares in whole, but not in part, with Qualifying Non-Innovative Tier 1 Securities, at any time (the substitution date) without any requirement for consent or approval of the holders of the Series T preference shares, provided that the substitution date shall not occur prior to . Not less than 30 days nor more than 60 days written notice of any such substitution shall be given to the holders of the Series T preference shares.

For the purposes of effecting any such substitution, we shall redeem the Series T preference shares in whole (but not in part) on the substitution date and shall mandatorily apply the proceeds thereof to the purchase of Qualifying Non-Innovative Tier 1 Securities issued on such substitution date in an amount at least equal to the total number of the Series T preference shares multiplied by $25 (in each case, without the need for any further action on the part of the holders of the Series T preference shares). We will pay any costs and expenses associated with such substitution and the issuance of the Qualifying Non-Innovative Tier 1 Securities, including, without limitation, the fees and expenses of the ADR depositary, trustee or other third-party involved in the issuance thereof and any fees and expenses relating to the registration and exchange listing of the Qualifying Non-Innovative Tier 1 Securities. We will also pay any stamp duty reserve taxes, capital duties, stamp duties or similar taxes payable in the United Kingdom arising on the allotment and issue of the Qualifying Non-Innovative Tier 1 Securities, including (if applicable) their deposit with the ADR depositary under the ADR deposit agreement. To the extent that under applicable law and HM Revenue & Customs practice transfers of the ADRs representing the Series T preference shares are able to be effected between holders thereof free of any stamp duty, stamp duty reserve tax or similar taxes arising on such transfer immediately prior to the substitution date, we will procure that transfers of the Qualifying Non-Innovative Tier 1 Securities (or ADRs representing such securities) shall also be able to be effected between holders thereof free of any such taxes immediately following such date.

Prior to the publication of any notice of substitution pursuant to the foregoing provisions, we shall first deliver to The Bank of New York as ADR depositary (i) a certificate, signed by two duly authorized officers of ours, certifying that the securities to be offered in substitution for the Series T preference shares are Qualifying Non-Innovative Tier 1 Securities and such substitution is in accordance with the terms of the ADR deposit agreement, (ii) an opinion of U.S. tax counsel to the effect that the exchange by a U.S. holder, or where relevant a U.S. beneficial owner, of the Series T preference shares for the Qualifying Non-Innovative Tier 1 Securities received will not result in the recognition of gain or loss for U.S. federal income tax purposes and (iii) any other opinion required under the terms of the ADR deposit agreement.

Table of Contents

Qualifying Non-Innovative Tier 1 Securities means securities, whether debt, limited partnership interests, equity or 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 without limitation a first redemption date (or as such term may otherwise be defined in the terms thereof) which falls on the same day as the first redemption date in respect of the Series T preference shares;

(2) to the extent that dividends on the Series T preference shares are eligible to be treated as qualified dividend income under Section 1(h)(11) of the Internal Revenue Code of 1986, as amended (or any successor legislation) by a particular holder immediately prior to the substitution date, dividends paid to such holder with respect to the securities 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 U.K. Financial Services Authority in relation to Non-Innovative Tier 1 Capital;

(5) such securities will preserve any existing rights under the Series T preference shares to any accrued dividend which has not been paid in respect of the period from (and including) the dividend payment date last preceding the substitution date to (but excluding) the substitution date; and

(6) at the time of issue, payments made by us in respect of such securities can be made free from any withholding tax imposed by any taxing or other authority (whether within or outside the United Kingdom) competent to impose, administer or collect any such tax.

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

Tier 1 Capital and Innovative Tier 1 Capital have the respective meanings given to them by the U.K. Financial Services Authority from time to time. Non-Innovative Tier 1 Capital means Tier 1 Capital which does not comprise Innovative Tier 1 Capital.

Voting Rights

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

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

In addition, if, before any general meeting of shareholders, we have failed to pay in full the dividend payable on the Series T preference shares for the three most recent consecutive quarterly dividend periods, the holders of the Series T preference shares shall be entitled to receive notice of, attend, speak and vote at such meeting on all matters. In these circumstances only, the rights of the holders of Series T preference shares shall continue until we have resumed the payment in full of dividends on the Series T preference shares for three consecutive quarterly dividend periods. See also Description of Dollar Preference Shares Voting Rights in the accompanying prospectus.

Whenever entitled to vote at a general meeting of shareholders, on a show of hands, 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 present in person or by proxy will be entitled to one vote for each Series T preference share held (subject to adjustment to reflect any capitalization issue, consolidations, sub-divisions or any other re-classification of our ordinary shares as a result of any distribution to the holders of ordinary shares

Table of Contents

of our assets and certain issues of ordinary shares or of rights or options to subscribe for ordinary shares at a market discount (subject to certain exceptions)).

The holders, including holders of Series T preference shares at a time when they have voting rights as a result of our having failed to pay dividends as described above, of not less than 10% of our paid up capital that at the relevant date carries the right to vote at our general meetings, are entitled to require the board of directors to convene an extraordinary general meeting. In addition, the holders of Series T preference shares may have the right to vote separately as a class in certain circumstances as described in the accompanying prospectus under the heading Description of Dollar Preference Shares Variation of Rights .

Table of Contents

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

The following summarizes certain U.S. federal and U.K. tax consequences of the acquisition, ownership and disposition of Series T preference shares or Series T ADSs by a U.S. Holder (as defined below) that owns such Series T preference shares or Series T ADSs evidenced by ADRs as capital assets and that purchases such Series T preference shares or Series T ADSs as part of this offering. Although the following does not describe all of the tax considerations that may be relevant to a prospective purchaser of Series T preference shares or Series T ADSs, (i) in the opinion of Shearman & Sterling LLP, this discussion summarizes the material U.S. federal income tax consequences to the U.S. Holders described herein of owning Series T preference shares or Series T ADSs represented by ADRs and (ii) in the opinion of Linklaters LLP, this discussion summarizes the material U.K. tax consequences to the U.S. Holders of owning the 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 that is (a) a 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 or under the laws of the United States or any state thereof (including the District of Columbia), (c) an estate, the income of which is subject to U.S. federal income taxation regardless of its source, or (d) a trust if a court within the United States can exercise primary supervision over the administration of the trust and one or more U.S. persons are authorized to control all substantial decisions of the trust. If a partnership (including for this purpose, any entity treated as a partnership for U.S. federal income tax purposes) holds Series T preference shares or Series T ADSs, the tax treatment of a partner in the partnership will depend upon the status of the partner and the activities of the partnership. 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 the ownership and disposition of the Series T preference shares or Series T ADSs.

The summary does not (except where specific reference is made) address the tax consequences to a US Holder (i) that is resident (or, in the case of an individual, ordinarily resident) in the United Kingdom for U.K. tax purposes or is carrying on a trade or business in the United Kingdom through a branch, agency or permanent establishment to which the Series T preference shares or the ADSs are attributable or, generally, (ii) that alone or together with one or more associates, controls, directly, indirectly or constructively, 10% or more of our voting stock. In addition, this summary does not purport to be a comprehensive description of all the tax consequences that may be relevant to any particular holder, including tax consequences that arise from rules of general application or that are generally assumed to be known by U.S. Holders. This summary does not discuss special tax rules that may apply to U.S. expatriates, tax-exempt entities, financial institutions, banks, pension funds, insurance companies, regulated investment companies, real estate investment trusts, persons subject to the alternative minimum tax, securities broker-dealers, traders in securities who elect to apply a mark-to-market method of accounting, persons holding their Series T preference shares or Series T ADSs as part of a straddle, hedging or conversion transaction, persons whose functional currency is not the U.S. dollar, among others. Such holders may be subject to U.S. federal income tax consequences different from those set forth below. The summary does not address any U.K. or U.S. tax consequences that might arise in the event of the substitution of the Series T preference shares or Series T ADSs. Furthermore, because the terms of any substitute Qualifying Non-Innovative Tier I Securities may differ from the terms of the Series T preference shares or Series T ADSs surrendered in respect therefor, the tax consequences of holding the substitute securities may differ after a substitution. These exact differences will not be known until the terms 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 United Kingdom and U.S. federal, state and local tax consequences of owning and disposing of Series T preference shares or Series T ADSs in light of their particular circumstances as well as any consequences arising under the laws of any other taxing jurisdiction.

Table of Contents

The statements regarding U.S. and U.K. tax laws and practices set forth below, including the statements regarding the U.S./U.K. double taxation convention relating to income and capital gains (the Treaty) and the U.S./U.K. double taxation convention relating to estate and gift taxes (the Estate Tax Treaty), are based on those laws and practices and the Treaty and the Estate Tax Treaty as in force and as applied in practice on the date of this prospectus supplement and are subject to changes to those laws and practices and the Treaty and the Estate Tax Treaty, and any relevant judicial decision, subsequent to 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 U.S. Internal Revenue Code of 1986, as amended (the Code), U.S. Holders of ADRs will be treated as owners of the Series T preference shares underlying their Series T ADSs.

Taxation of Dividends

We are not required to withhold tax at source from dividend payments we make or from any amount (including any amounts in respect of accrued dividends) we distribute on redemption or winding up. Because payments of dividends by us to investors are not subject to U.K. withholding tax, it is not necessary to apply the Treaty in order to receive a reduced rate of withholding.

Distributions we make with respect to the Series T preference shares or Series T ADSs will be dividends for U.S. federal income tax purposes to the extent paid out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes and will be included in gross income on the date the distribution is actually or constructively received by the U.S. Holder. Dividends paid by us will not be eligible for the dividends received deduction that is generally allowed to corporations. Subject to applicable limitations that may vary depending upon a holder s individual circumstances, dividends paid to certain non-corporate U.S. Holders in taxable years beginning before January 1, 2011 will constitute qualified dividend income that will be taxable at a maximum tax rate of 15%. Non-corporate US Holders should consult their own tax advisors to determine whether they are subject to any special rules that limit their ability to be taxed at this favorable rate.

The U.S. Treasury has announced its intention to promulgate rules which will permit persons required to file information returns to rely on certifications from a foreign issuer that dividends paid by such foreign issuer constitute qualified dividend 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 non U.S.-source income. Special rules apply in determining the amount of qualified dividend income taken into account for U.S. foreign tax credit limitation 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 not normally be liable for U.K. taxation on capital gains realized on the disposal (including redemption or substitution) of such U.S. Holder s Series T preference share or Series T ADS unless, at the time of the disposal, in the case of a corporate U.S. Holder, such U.S. Holder carries on a trade in the United Kingdom through a permanent establishment or, in the case of any other U.S. Holder, such U.S. Holder carries on a trade (which for this purpose includes a profession or vocation) in the United Kingdom through a branch or agency and the Series T preference share or Series T ADS is, or has been, used, held or acquired for the purposes of this trade, permanent establishment, branch or agency. Special rules apply to individuals who are 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 Series T ADS, recognize capital gain or loss for U.S. federal income tax purposes (assuming, in the case of a redemption, that the U.S. Holder does not own, and is not deemed to own, any of our voting shares) in an amount equal to the difference between the amount realized (excluding any declared but unpaid dividends, which will generally be treated as a dividend for U.S. federal income tax purposes) and the U.S. Holder s tax basis in the Series T preference share or Series T ADS. Gain or loss generally will be U.S.-source.

Table of Contents

A U.S. Holder that owns or is deemed to own any of our voting shares should consult its own tax advisor regarding the tax consequences of a redemption of any Series T preference shares or Series T ADSs.

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

You should consult your tax advisors regarding the U.S. federal income tax treatment of capital gains (which may be taxed at lower rates than ordinary income for certain non-corporate taxpayers) and losses (the deductibility of which is subject to limitations).

Finance (No. 2) Act 2005

If a corporate U.S. Holder is subject to U.K. corporation tax by reason of carrying on a trade in the United Kingdom through a permanent establishment and its Series T preference share or Series T ADS is, or has been, used, held or acquired for the purposes of that permanent establishment, certain provisions introduced by the Finance (No. 2) Act 2005 will apply if the U.S. Holder holds its Series T preference share or Series T ADS for an unallowable purpose . If these provisions apply, dividends on the Series T preference share or Series T ADS, as well as certain fair value credits and debits arising in respect of such Series T preference share or Series T ADS, will be brought within the charge to U.K. corporation tax on income and the U.K. tax position outlined in the preceding paragraphs under the sub-heading Taxation of Capital Gains in relation to such U.S. Holder will not apply.

Estate and Gift Tax

Subject to the discussion of the Estate Tax Treaty in the next paragraph, Series T preference shares or Series T ADSs beneficially owned by an individual may be subject to U.K. inheritance tax (subject to exemptions and reliefs) on the death of the individual or, in certain circumstances, if the Series T preference shares or Series T ADSs are the subject of a gift (including a transfer at less than fair market value) by such individual. (Inheritance tax is not generally chargeable on gifts to individuals made more than seven years before the death of the donor.) Series T preference shares or Series T ADSs held by the trustees of a settlement will also be subject to U.K. inheritance tax. Special rules apply to such settlements.

A Series T preference share or Series T ADS beneficially owned by an individual whose domicile is determined to be the United States for purposes of the Estate Tax Treaty, and who is not a national of the United Kingdom at the relevant time, will not be subject to U.K. inheritance tax on the individual s death or on a lifetime transfer of the Series T preference share or Series T ADS except where the Series T preference share or Series T ADS (i) is comprised in a settlement (unless, at the time of the settlement, the settlor was domiciled in the United States and was not a national of the United Kingdom); (ii) is part of the business property of a U.K. permanent establishment of an enterprise; or (iii) pertains to a U.K. fixed base of an individual used for the performance of independent personal services. The Estate Tax Treaty generally provides a credit system designed to avoid double taxation in a case where the Series T preference share or Series T ADS is subject both 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, we expect that no U.K. stamp duty or stamp duty reserve tax (SDRT) will be payable on the delivery of Series T preference shares in bearer form to the custodian or the ADR depositary. However, if this understanding proves to be incorrect, we will pay or procure payment of any such U.K. stamp duty or SDRT which becomes payable on the delivery of the Series T preference shares in bearer form to the custodian or the ADR depositary.

A transfer of a registered ADR executed and retained in the United States will not give rise to U.K. stamp duty and an agreement to transfer a registered ADR will not give rise to SDRT.

U.K. stamp duty will, subject to certain exceptions, be payable at the rate of 1.5% (rounded up, if necessary to the nearest £5) of the value of Series T preference shares in registered form on any instrument pursuant to which Series T preference shares are transferred (i) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts. This would include transfers to the custodian for deposit under the ADR deposit agreement. U.K. SDRT, at the same rate, could also be payable in these circumstances but no SDRT will be payable if such stamp duty is paid. In accordance with the terms of the ADR deposit agreement, any tax or duty payable by the ADR depositary or the custodian on any of these transfers of Series T preference shares in registered form will be charged by the ADR depositary to the party to whom ADRs are delivered against such transfers.

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

No U.K. stamp duty or SDRT is payable on the transfer by delivery of Series T preference shares in bearer form, provided that the agreement to transfer such shares is not made in contemplation of, or as part of an arrangement for, a takeover of 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 or Series T ADSs may be subject to information reporting to the Internal Revenue Service (the IRS) and possible U.S. federal backup withholding at a current rate of 28%. Certain exempt recipients (such as corporations) are not subject to the information reporting or backup withholding requirements. Backup withholding generally will not apply to a holder who furnishes a correct taxpayer identification number or certificate of foreign status and makes any other required certification, or who is otherwise exempt from backup withholding and when required, demonstrates such fact. U.S. persons who are required to establish their exempt status 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 or backup withholding. However, these holders may be required to provide certification of non-US status (generally on IRS Form W-8BEN) in connection with payments received in the United States or through certain US-related financial intermediaries.

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 amounts withheld under the backup withholding rules by timely filing the appropriate claim for a refund with the IRS and furnishing any required information.

Certain ERISA Considerations

This disclosure was written in connection with the promotion and marketing of the Series T preference shares by us and the underwriters, and it cannot be used by any holder for the purpose of avoiding penalties that may be asserted against the holder under the U.S. Internal Revenue Code of 1986, as amended (Internal Revenue Code). Prospective purchasers of the Series T preference shares should consult their own tax advisors with respect to the application of the U.S. federal income tax laws to their particular situations.

The Employee Retirement Income Security Act of 1974, as amended (ERISA), imposes certain requirements on employee benefit plans subject to Title I of ERISA and on entities that are deemed to hold the assets of such plans (ERISA Plans), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA s general fiduciary requirements, including, but not limited to, the requirement of investment prudence and diversification and the

Table of Contents

requirement that an ERISA Plan s investments be made in accordance with the documents governing the ERISA Plan.

Section 406 of ERISA and Section 4975 of the Internal Revenue Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Internal Revenue Code, such as individual retirement accounts (together with ERISA Plans, Plans)) and certain persons (referred to as parties in interest or disqualified persons) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Internal Revenue Code.

Any Plan fiduciary that proposes to cause a Plan to purchase the Series T preference shares should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Internal Revenue Code to such an investment, and to confirm that such purchase and holding will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA or the Code.

Foreign plans, governmental plans (as defined in Section 3(32) of ERISA) and certain church plans (as defined in Section 3(33) of ERISA), while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA and Section 4975 of the Internal Revenue Code, may nevertheless be subject to other federal, state, local or foreign laws or regulations that are substantially similar to the foregoing provisions of ERISA and the Internal Revenue Code (Similar Law). Fiduciaries of any such plans should consult with their counsel before purchasing the Series T preference shares to determine the need for, if necessary, and the availability of, any exemptive relief under any Similar Law.

Table of Contents

UNDERWRITING

Under the terms and subject to the conditions of the underwriting agreement, and the pricing agreement, each dated , 2007, each underwriter named below has severally agreed to purchase from us, and we have agreed to sell to such underwriter, the number of Series T preference shares in the form of Series T ADSs set forth opposite the name of such underwriter below.

Underwriter	Number of Series T ADSs
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 additional Series T preference shares in the form of Series T ADSs at the public offering price less the underwriting discount. Any additional Series T preference shares issued after shall accrue dividends with effect from such date. The underwriters may exercise this option for 30 days from the date of this prospectus supplement solely to cover over-allotments.

The underwriting agreement provides that the obligations of the underwriters to purchase the Series T ADSs included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to take and pay for the total number of Series T ADSs offered hereby, if any such Series T ADSs are purchased.

The Series T preference shares represented by Series T ADSs are offered for sale only in jurisdictions where it is legal to 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 any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the FSMA)) received by it in connection with the issue or sale of any Series T preference shares and Series T ADSs in circumstances in which section 21(1) of the FSMA does not apply to us; and

- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Series T preference shares and Series T ADSs in, from or otherwise involving the United Kingdom.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date), it has not made and will not make an offer of Series T preference shares or Series T ADSs (which are the subject of the offering contemplated by this prospectus supplement) to the public in that Relevant Member State other than:

to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, 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 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000; and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts;

S-50

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to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject 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 shall require us or any underwriter to publish a prospectus 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 to the public in relation to any Series T preference shares or Series T ADSs in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Series T preference shares or Series T ADSs to be offered so as to enable an investor to decide to purchase or subscribe the Series T preference shares or Series T ADSs, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/ EC and includes any relevant implementing measure in each Relevant Member State.

The Series T ADSs will settle through the facilities of The Depository Trust Company, including its participants Clearstream Banking *société anonyme,* Luxembourg and Euroclear Bank SA/ NV. The CUSIP number for the Series T ADSs is 780097713 and the ISIN is US7800977131.

The underwriters have advised us that they propose initially to offer the Series T ADSs to the public in the United States at the public offering price set forth on the cover page of this prospectus supplement and to certain dealers at such price less a concession not in excess of $ per Series T ADS. The underwriters may allow, and such dealers may reallow, a discount not in excess of $ per Series T ADS on sales to certain other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

The following table shows the maximum underwriting discounts and commissions that we are to pay to the underwriters in connection with this offering.

	Paid by us
Per Series T ADS	$
Total	$

During and after the offering, the underwriters may purchase and sell the Series T ADSs in the open market or otherwise. These transactions may include over-allotment and stabilizing transactions and purchases to cover syndicate short positions created in connection with the offering. The underwriters also may impose a penalty bid, whereby selling concessions allowed to syndicate members or other broker-dealers in respect of the Series T ADSs sold in the offering for their account may be reclaimed by the syndicate if such Series T ADSs are repurchased by the syndicate in stabilizing or covering transactions. These activities may have the effect of preventing or retarding a decline in the market price of the Series T ADSs. They may also cause the price of the Series T ADSs to be higher than the price that might otherwise prevail in the open market in the absence of these transactions. The underwriters may effect these transactions on the New York Stock Exchange, in the over the counter market, or otherwise. If the underwriters commence these transactions, 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 commence within approximately 30 days after the delivery of the Series T ADSs. Prior to this offering, there has been no market for the Series T preference shares or the Series T ADSs. We can give you no assurance about the liquidity of the trading market for the Series T preference shares or the Series T ADSs.

The underwriters have performed investment banking and advisory services for us from time to time for which they have received customary fees and expenses. The underwriters may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business.

Merrill Lynch International has been appointed acquisition advisor to the Consortium Banks in their Offer for ABN AMRO. For a discussion of the Offer, please see The ABN AMRO Offer section

beginning on page S-15. In addition, Merrill Lynch advised us, and co-invested with us, in our 2005 strategic investment in Bank of China.

In the underwriting agreement, we have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments the underwriters may be required to make in respect thereof.

The offering is being made in compliance with the requirements of Rule 2720 of the National Association of Securities Dealers, Inc. because Greenwich Capital Markets, Inc. and Citizens Securities, our wholly-owned indirect subsidiaries, may participate in offerings under our shelf registration statement of which this prospectus supplement and the accompanying prospectus are a part. Greenwich Capital Markets, Inc. is participating as a bookrunner in this offering. Maximum underwriting compensation for offerings under our shelf registration statement will not exceed 8% of the offering proceeds.

All post-effective amendments or prospectus supplements disclosing actual price and selling terms will be submitted to the Financial Industry Regulatory Authority (FINRA) Corporate Financing Department (the Department) at the same time they are filed with the SEC. The Department will be advised if, subsequent to the filing of the offering, any 5% or greater shareholder of ours is or becomes an affiliate or associated person of a FINRA member participating in the distribution. All FINRA members participating in the offering understand the requirements that have to be met in connection with SEC Rule 415 and Notice-to-Members 88-101.

It is expected that delivery of the Series T preference shares as represented by Series T ADSs will be made against payment on or about the date specified in the last paragraph of the cover page of this prospectus supplement, which will be the New York business day following the date of pricing of the Series T preference shares (such settlement cycle being referred to as T+). Under Rule 15c6-1 of the Securities Exchange Act of 1934, as amended, trades in the secondary market generally are required to settle in three New York business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Series T preference shares prior to the third New York business day before the delivery of the Series T preference shares will be required, by virtue of the fact that the Series T preference shares initially will settle in T+ , to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Series T preference shares who wish to make such trades should consult their own advisors.

LEGAL OPINIONS

Our United States counsel, Shearman & Sterling LLP, and United States counsel for the underwriters, Sidley Austin LLP, will pass upon the validity of the Series T ADSs. Our Scottish solicitors, Dundas & Wilson CS LLP, will pass upon the validity of the Series T preference shares under Scots law. Our English solicitors, Linklaters LLP, will pass upon certain matters of English law relating to the issue and sale of the Series T preference shares.

Table of Contents

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 truthful or complete. Any representation to the contrary is a criminal offense.

This prospectus may not be used to sell securities unless it is accompanied by a prospectus supplement.

The date of this prospectus is September 18, 2007.

Table of Contents

TABLE OF CONTENTS

	Page
About This Prospectus	3
Use of Proceeds	3
The Royal Bank of Scotland Group	3
Description of Debt Securities	4
Description of Dollar Preference Shares	16
Description of American Depositary Receipts	24
Plan of Distribution	29
Legal Opinions	30
Experts	31
Expenses of The Issue	32
Enforcement of Civil Liabilities	32
Where You Can Find More Information	32
Incorporation of Documents by Reference	33

Table of Contents

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the U.S. Securities and Exchange Commission (SEC) using a shelf registration or continuous offering process. Under this shelf process, we may sell the securities described in this prospectus in one or more offerings up to a total dollar amount of $6,175,000,000 or the equivalent in one or more foreign currencies or currency units.

This prospectus provides you with a general description of the debt securities and dollar preference shares we may offer, which we will refer to collectively as the securities . Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement will provide information regarding certain tax consequences of the purchase, ownership and disposition of the offered securities. The prospectus supplement may also add to, update or change information contained in this prospectus. If there is any inconsistency between the information in this prospectus and any prospectus supplement, you should rely on the information in that prospectus supplement. We will file each prospectus supplement with the SEC. You should read both this prospectus and the applicable prospectus supplement, together with the additional information described under the heading Where You Can Find More Information .

The registration statement containing this prospectus, including exhibits to the registration statement, provides additional information about us and the securities offered under this prospectus. The registration statement can be read at the SEC s offices or obtained from the SEC s website mentioned under the heading Where You Can Find More Information .

Certain Terms

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

We publish our consolidated financial statements in pounds sterling (£ or 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, we will use the net proceeds from the sale of the securities offered by this prospectus in the general business of our Group and to strengthen further our Group s capital base. The Group has raised capital in various markets from time to time and we expect to continue to raise capital in appropriate markets as and when required.

THE ROYAL BANK OF SCOTLAND GROUP

The Royal Bank of Scotland Group plc is the holding company of one of the world s largest banking and financial services groups, with a market capitalization of £59.9 billion as at June 30, 2007. Headquartered in Edinburgh, the Group operates in the United Kingdom, the United States and internationally. The Group s operations are conducted principally through RBS and its subsidiaries, including National Westminster Bank Plc, except for the general insurance business (which is primarily conducted through Direct Line Group and Churchill Insurance). Both RBS and NatWest are major U.K. clearing banks whose origins go back over 275 years. In the United States, the Group s subsidiary Citizens Financial Group, Inc. was ranked the ninth largest commercial banking organization by deposits as at March 31, 2007. The Group has a large and diversified customer base and provides a wide range of products and services to personal, commercial and large corporate and institutional customers. Our registered office is 36 St Andrew Square, Edinburgh EH2 2YB, Scotland and our principal place of business is RBS Gogarburn, PO Box 1000, Edinburgh EH12 1HQ, Scotland, telephone +44 131 626 0000.

DESCRIPTION OF DEBT SECURITIES

The following is a summary of the general terms of the debt securities. Each time that we issue debt securities, we will file a prospectus supplement with the SEC, which you should read carefully. The prospectus supplement may contain additional terms of those debt securities. The terms presented here, together with the terms contained in the prospectus supplement, will be a description of the material terms of the debt securities, but if there is any inconsistency between the terms presented here and those in the prospectus supplement, those in the prospectus supplement will apply and will replace those presented here. You should also read the indentures under which we will issue the debt securities, which we have filed with the SEC as 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. Debt securities that have no stated maturity will be issued under a capital securities indenture. Other debt securities will be issued under a subordinated debt 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 Federal Deposit Insurance Corporation 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. We may issue debt securities in one or more series. The relevant prospectus supplement for any particular series of debt securities will describe the terms of the offered 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, if any, by which such date or dates will be determined;
- 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;
- any modifications or additions to the events of defaults with respect to the debt securities offered;
- any provisions relating to conversion or exchange for other securities issued by us;
- the currency or currencies in which they are denominated and in which we will make any payments;
- 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 and the exchange of debt securities of one form for debt securities of another form;
- whether and under what circumstances, if other than those described in this prospectus, we will pay additional amounts on the debt securities following certain developments with respect to withholding tax or information

reporting laws and whether, and on what terms, if other than those described in this prospectus, we may redeem 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 and U.K. tax considerations that apply to any particular series of debt securities.

Table of Contents

Debt securities may bear interest at a fixed rate or a floating rate. We will sell any subordinated debt securities that bear no interest, or that bear interest at a rate that at the time of issuance is below the prevailing market rate, at a discount to their stated principal amount.

Holders of debt securities shall have no voting rights except those described under Modification and Waiver below.

Form of Debt Securities; Book-Entry System

General

Unless the relevant prospectus supplement states otherwise, the debt securities shall initially be represented by one or more global securities in registered form, without coupons attached, and will be deposited with or on behalf of one or more depositary, including, without limitation, The Depository Trust Company (DTC), Euroclear Bank SA/NV (Euroclear) and/or Clearstream Banking *société anonyme,* Luxembourg (Clearstream Luxembourg), and will be registered in the name of such depositary or its nominee. Unless and until the debt securities are exchanged in whole or in part for other securities that we issue or the global securities are exchanged for definitive securities, the global securities may not be transferred except as a 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. Unless the relevant prospectus supplement states otherwise, the initial distribution of the debt securities will be cleared through DTC only. In such event, beneficial interests in the global debt securities will be shown on, and transfers thereof will be effected only through, the book-entry records maintained by DTC and its direct and indirect participants, including, as applicable, Euroclear and Clearstream Luxembourg.

The laws of some states may require that certain investors in securities take physical delivery of their securities in definitive form. Those laws may impair the ability of investors to own interests in book-entry securities.

So long as the depositary, or its nominee, is the holder of a global debt security, the depositary or its nominee will be considered the sole holder of such global debt security for all purposes under the indentures. Except as described below under Issuance of Definitive Securities , no participant, indirect participant or other person will be entitled to have debt securities registered in its name, receive or be entitled to receive physical delivery of debt securities in definitive form or be considered the owner or holder of the debt securities under the indentures. Each person having an ownership or other interest in debt securities must rely on the procedures of the depositary, and, if a person is not a participant in the depositary, must rely on the procedures of the participant or other securities intermediary through which that person owns its interest to exercise any rights and obligations of a holder under the indentures or the debt securities.

Payments on the Global Debt Security

Payments of any amounts in respect of any global securities will be made by the trustee to the depositary. Payments will be made to beneficial owners of debt securities in accordance with the rules and procedures of the depositary or its direct and indirect participants, as applicable. Neither we nor the trustee nor any of our agents will have any responsibility or liability for any aspect of the records of any securities intermediary in the chain of intermediaries between the depositary and any beneficial owner of an interest in a global security, or the failure of the depositary or any intermediary to pass through to any 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 New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code, and a clearing agency registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended (the Exchange Act). DTC was created to hold securities of its

Table of Contents

participants and to facilitate the clearance and settlement of transactions among its participants in those securities through 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, including parties that may act as underwriters, dealers or agents with respect to the securities, banks, trust companies, clearing corporations and certain other organizations, some of which, along with certain of their representatives and others, own DTC. Access to the DTC book-entry system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

Euroclear. Euroclear holds securities for its participants and clears and settles transactions between its participants through simultaneous electronic book-entry delivery against payment. Euroclear provides various other services, including safekeeping, administration, clearance and settlement and securities lending and borrowing, and interfaces with domestic markets in several countries. Securities clearance accounts and cash accounts with Euroclear are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable law (collectively, the Euroclear Terms and Conditions). The Euroclear Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear.

Clearstream Luxembourg. Clearstream Luxembourg is incorporated under the laws of The Grand Duchy of Luxembourg as a professional depositary. Clearstream Luxembourg holds securities for its participants and facilitates the clearance and settlement of securities transactions between its participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Clearstream Luxembourg provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream Luxembourg interfaces with domestic markets in several countries.

Issuance of Definitive Securities

So long as the depositary holds the global securities of a particular series of debt securities, such global securities will not 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 depositary for the debt securities 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 when due; or
- at any time we determine in our sole discretion that the global securities of a particular series of debt 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 must rely exclusively on the rules or procedures of the depositary as the case may be, and any agreement with any direct or indirect participant of the depositary, including Euroclear or Clearstream Luxembourg and their participants, as applicable, or any other securities intermediary through which that person holds its interest, to receive or direct the delivery of possession of any definitive security. The indentures permit us to determine at any time and in our sole discretion that debt securities shall no longer be represented by global securities. DTC has advised us that, under its current practices, it would notify its participants of our request, but will only withdraw beneficial interests from the global securities at the request of each DTC participant. We would issue definitive certificates in exchange for any such beneficial interests withdrawn.

Definitive debt securities will be issued in registered form only. To the extent permitted by law, we, the trustee and any paying agent shall be entitled to treat the person in whose name any definitive security is registered as its absolute owner.

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

holder requests, by transfer to the holder s account in New York. Definitive securities should be presented to the paying agent for redemption.

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

If definitive securities are issued in the limited circumstances described above, those securities may be transferred in whole or in part in denominations of any whole number of securities upon surrender of the definitive securities certificates together with the form of transfer endorsed on it, duly completed and executed at the specified office of a paying agent. If only part of a securities certificate is transferred, a new securities certificate representing the balance not transferred will be issued to the transferor within three business days after the paying agent receives the certificate. The new certificate representing the balance will be delivered to the transferor by uninsured post at the risk of the transferor, to the address of the transferor appearing in the records of the paying agent. The new certificate representing the securities that were transferred will be sent to the transferee within three business days after the paying agent receives the certificate transferred, by uninsured post at the risk of the holder entitled to the securities represented by the certificate, to the address specified in the form of transfer.

Settlement

Initial settlement for each series of debt securities and settlement of any secondary market trades in the debt securities will be made in same-day funds. Book-entry debt securities held through DTC will settle in DTC s Same-Day Funds Settlement System.

Payments

We will make any payments of interest and, in the case of subordinated debt securities, principal, on any particular series of debt securities on the dates and, in the case of payments of interest, at the rate or rates, that we set out in, or that are determined by the method of calculation described in, the relevant prospectus supplement.

Subordinated Debt Securities

Unless the relevant prospectus supplement provides otherwise, if we do not make a payment on that series of subordinated debt securities on any payment date, our obligation to make that payment shall be deferred, if it is an interest payment, until the date upon which we pay a dividend on any class of our share capital and, if it is a principal payment, until the first business day after the date that falls six months after the original payment date (a Deferred Payment Date). If we fail to make a payment before the Deferred Payment Date, that failure shall not create a default or otherwise allow any holder to sue us for the payment or take any other action. Each payment that is deferred in this way will accrue interest at the rate prevailing in accordance with the terms of the series of debt securities immediately before the original payment date. Any payment deferred in this way shall not be treated as due for any purpose, including for the purposes of ascertaining whether 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 on any payment date and if we fail to make a payment, that shall not create a default. Any payment that we do not make in respect of any series of capital securities on any applicable payment date, together with any other unpaid payments, so long as they remain unpaid, shall be Missed Payments 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 on not less than 14 days notice to the trustee, but all Missed Payments on all capital securities of a particular series outstanding at the time shall become due and payable in full upon the occurrence of an Event of Default or, subject to the solvency condition , a Capital Security Default . These terms are defined below under Events

of Default and Defaults; Limitation of Remedies . If we give notice that we intend to pay all or part of the Missed Payments on the capital securities of any series, we shall be obliged, subject to the solvency condition, to do so at the time specified in our notice.

Except in a winding up, all payments on the capital securities of any series will be conditional upon our being solvent at the time of payment, and we will not make any payment unless we will still be solvent immediately afterwards. This is called the solvency condition . For this purpose, we shall be solvent if we are able to pay our debts as they fall due and our total non-consolidated assets exceed our total non-consolidated liabilities, excluding liabilities that do not constitute Senior Claims (as defined under Subordination below) except in the case of the optional redemption or repurchase of any capital securities. A report as to our solvency by a director or, in certain circumstances, our auditors shall, unless there is a manifest error, be treated and accepted by us, the trustee and any holder of capital securities as correct and sufficient evidence of solvency or insolvency. If we fail to make any payment as a result of failure to satisfy the solvency condition, that payment will constitute a Missed Payment and will accumulate with any other Missed Payments until paid. In a winding up, the amount payable on capital securities of any series will be determined in accordance with the capital security subordination provisions described under Subordination below.

You should note that if we are unable to make any payment on the capital securities of any series because we are not able to satisfy the solvency condition, the amount of any payment which we would otherwise make will be available to meet our losses.

Subordination

Subordinated Debt Securities

Unless the relevant prospectus supplement provides otherwise, in a winding up, all payments on any series of subordinated debt securities will be subordinate to, and subject in right of payment to the prior payment in full of, all claims of all of our creditors other than claims in respect of any liability that is, or is expressed to be, subordinated, whether only in the event of a winding up or otherwise, to the claims of all or any of our creditors, in the manner provided in the subordinated debt indenture.

Capital Securities

Unless the relevant prospectus supplement provides otherwise, in a winding up, the principal amount of, and payments and any Missed Payments on, any series of capital securities will be subordinate to, and subject in right of payment to the prior payment in full of, all Senior Claims. The following are Senior Claims in respect of any series of capital securities:

- all claims of our unsubordinated creditors admitted in the winding up;
- all claims of our creditors in respect of liabilities that are, or are expressed to be, subordinated, whether only in the event of a winding up or otherwise, to the claims of our unsubordinated creditors but not further or otherwise; and
- all other claims except those that rank, or are expressed to rank, equally with or junior to the claims of any holder of capital securities of any series.

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

If at any time an order is made or a shareholders resolution is passed for a winding up, any amounts that would have been payable in respect of the capital securities of any series if, on and after the day immediately before the winding up began, any holder of those capital securities had been the holder of preference shares in our capital with a preferential right to a return of assets in the winding up over the holders of all other issued shares, including all classes of our preference shares, will be payable on those capital securities. These amounts will be calculated assuming that such preference shares were entitled, to the exclusion of all other rights or privileges, to receive as a return of capital an amount equal to the principal amount of the capital securities of the series then outstanding, together with all payments accrued to the date of repayment at the rate provided for in those capital securities and any Missed

Payments. Accordingly, no amount will be payable in a winding up on any series of capital securities until all Senior Claims admitted in the winding up have been paid in full.

General

As a consequence of these subordination provisions, if winding up proceedings should occur, each holder may recover less ratably than the holders of our unsubordinated liabilities and, in the case of the holders of capital securities, the holders of certain of our subordinated liabilities, including the holders of subordinated debt securities. If, in any winding up, the amount payable on any series of debt securities and any claims ranking equally with that series are not paid in full, those debt securities and other claims ranking equally will share ratably in any distribution of our assets in a winding up in proportion to the respective amounts to which they are entitled. If any holder is entitled to any recovery with respect to the debt securities in any winding up or liquidation, the holder might not be entitled in those proceedings to a recovery in U.S. dollars and might be entitled only to a recovery in pounds sterling or any other lawful currency of the United Kingdom.

In addition, because we are a holding company, our rights to participate in the assets of any subsidiary if it is liquidated will be subject to the prior claims of its creditors, including, in the case of our bank subsidiaries, their depositors, except to the extent that we may be a creditor with recognized claims against the subsidiary.

Additional Amounts

Unless the relevant prospectus supplement provides otherwise, we will pay any amounts to be paid by us on any series of debt securities without deduction or withholding for, or on account of, any and all present and future income, stamp and other taxes, levies, imposts, duties, charges, fees, deductions or withholdings imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision thereof or authority that has the power to tax (a U.K. taxing jurisdiction), unless such deduction or withholding is required by law. If at any time a U.K. taxing jurisdiction requires us to make such deduction or withholding, we will pay additional amounts with respect to the principal of, and payments and Missed Payments on, the debt securities (Additional Amounts) that are necessary in order that the net amounts paid to the holders of those debt securities, after the deduction or withholding, shall equal the amounts of principal and any payments and Missed Payments which would have been payable on that series of debt securities if the deduction or withholding had not been required. However, this will not apply to any tax that would not have been payable or due but for the fact that:

- the holder or the beneficial owner of the debt securities is a domiciliary, national or resident of, or engaging in business or maintaining a permanent establishment or physically present in, a U.K. taxing jurisdiction or otherwise having some connection with the U.K. taxing jurisdiction other than the holding or ownership of a debt security, or the collection of any payment of, or in respect of, principal of, or any payments or Missed Payments on, any debt security of the relevant series;

- except in the case of a winding up in the United Kingdom, the relevant debt security is presented (where presentation is required) for payment in the United Kingdom;

- the relevant debt security is presented (where presentation is required) for payment more than 30 days after the date payment became due or was provided for, whichever is later, except to the extent that the holder would have been entitled to the Additional Amounts on presenting the debt security for payment at the close of that 30 day period;

- the holder or the beneficial owner of the relevant debt security or the beneficial owner of any payment of or in respect of principal of, or any payments or Missed Payments on, the debt security failed to comply with a request by us or our liquidator or other authorized person addressed to the holder to provide information concerning the nationality, residence or identity of the holder or the beneficial owner or to make any declaration or other similar claim to satisfy any information requirement, which is required or imposed by a statute, treaty, regulation or administrative practice of a U.K. taxing jurisdiction as a precondition to exemption from all or part of the tax;

Table of Contents

the withholding or deduction is imposed on a payment to or for the benefit of an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such directive;

the relevant debt security is presented (where presentation is required) for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant debt security to another paying agent in a Member State of the European Union; or

any combination of the above items;

nor shall Additional Amounts be paid with respect to the principal of, and payments and Missed Payments on, the debt securities to any holder who is a fiduciary or partnership or settlor or other than the sole beneficial owner of such payment to the extent such payment would be required by the laws of any taxing jurisdiction to be included in the income for tax purposes of a beneficiary or partner or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to such Additional Amounts, had it been the holder.

Whenever we refer in this prospectus and any prospectus supplement, in any context, to the payment of the principal of or any payments, or any Missed Payments on, or in respect of, any debt security of any series, we mean to include the payment of Additional Amounts to the extent that, in the context, Additional Amounts are, were or would be payable.

Redemption

Unless the relevant prospectus supplement provides otherwise and, in the case of capital securities, if the solvency condition is satisfied, we will have the option to redeem the debt securities of any series as a whole upon not less than 30 nor more than 60 days notice, on any payment date, at a redemption price equal to 100% of their principal amount together with any accrued but unpaid payments of interest, and all Missed Payments in the case of Capital Securities, to the redemption date, or, in the case of discount securities, their accreted face amount, together with any accrued interest, if we determine that as a result of a change in or amendment to the laws or regulations of a U.K. taxing jurisdiction, including any treaty to which it is a party, or a change in an official application or interpretation of those laws or regulations, including a decision of any court or tribunal, which becomes effective on or after the date of the applicable prospectus supplement:

in making any payments or Missed Payments on the particular series of debt securities, we have paid or will or would on the next payment date be required to pay Additional Amounts;

payments, including Missed Payments, on the next payment date in respect of any of the series of debt securities would be treated as distributions within the meaning of Section 209 of the Income and Corporation Taxes Act 1988 of the United Kingdom, or any statutory modification or re-enactment of the Act; or

on the next payment date we would not be entitled to claim a deduction in respect of the payments in computing our U.K. taxation liabilities, or the value of the deduction to us would be materially reduced.

In each case we shall be required, before we give a notice of redemption, to deliver to the trustee a written legal opinion of independent U.K. counsel of recognized standing, selected by us, in a form satisfactory to the trustee confirming that we are entitled to exercise our right of redemption.

The relevant prospectus supplement will specify whether or not we may redeem the debt securities of any series, in whole or in part, at our option, in any other circumstances and, if so, the prices and any premium at which and the dates on which we may do so. In the case of capital securities, redemption will

only be allowed if the solvency condition is satisfied. Any notice of redemption of debt securities of any series will state, among other items:

- the redemption date;
- the amount of debt securities to be redeemed if less than all of the series is to be redeemed;
- the redemption price;
- that the redemption price will, subject to the solvency condition, become due and payable on the redemption 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 any manner which it deems fair and appropriate.

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

Under existing U.K. Financial Services Authority requirements, we may not make any redemption or repurchase of any debt securities beneficially for our own account, other than a repurchase in connection with dealing in securities, unless we give prior notice to the U.K. Financial Services Authority and, in certain circumstances, it consents in advance. 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 the applicable indenture with respect to any series of debt securities without the consent of the holders of the debt securities. We may make other modifications and amendments with the consent of the holder or holders of not less than $66^2/3\%$ in aggregate principal amount of the debt securities of the series outstanding under the indenture that are affected by the modification or amendment, voting as one class. However, we may not make any modification or amendment without the consent of the holder of each debt security affected that would:

- change the stated maturity of the principal amount of any subordinated debt security or the terms of any capital security to include a stated maturity date;
- reduce the principal amount of or the payments or any Missed Payments with respect to any debt security;
- change our obligation (or our successor s) to pay Additional Amounts;
- change the currency of payment;
- impair the right to institute suit for the enforcement of any payment due and payable;
- reduce the percentage in aggregate principal amount of outstanding debt securities of the series necessary to modify or amend the indenture or to waive compliance with certain provisions of the indenture and any past Event of Default, Subordinated Debt Security Default or Capital Security Default;
- modify the subordination provisions or the terms of our obligations in respect of the due and punctual payment of the amounts due and payable on the debt securities in a manner adverse to the holders; or

modify the above requirements.

In addition, material variations in the terms and conditions of debt securities of any series, including modifications relating to subordination, redemption, events of default, subordinated debt security defaults,

11

Table of Contents

capital security defaults or capital security payment events, may require the non-objection from, or consent of, the U.K. Financial Services Authority.

Events of Default and Defaults; Limitation of Remedies

Events of Default

Unless the relevant prospectus supplement provides otherwise, if (i) a court of competent jurisdiction makes an order which is not successfully appealed within 30 days or (ii) an effective shareholders resolution is validly adopted, for our winding up, other than under or in connection with a scheme of amalgamation or reconstruction not involving a bankruptcy or insolvency, that order or resolution will constitute an Event of Default with respect to the debt securities of each series. If an Event of Default occurs and is continuing, the trustee or the holder or holders of at least 25% in aggregate principal amount of the outstanding debt securities of each series may declare the principal amount of, any accrued but unpaid payments (or, in the case of discount securities, the accreted face amount, together with any accrued interest), and any Missed Payments, on the debt securities of the series to be due and payable immediately in accordance with the terms of the indenture. However, after this declaration but before the trustee obtains a judgment or decree for payment of money due, the holder or holders of a majority in aggregate principal amount of the outstanding debt securities of the series may rescind the declaration of acceleration and its consequences, but only if all Events of Default have been remedied and all payments due, other than those due as a result of acceleration, have been made.

Subordinated Debt Security Defaults

Unless the relevant prospectus supplement provides otherwise, it shall be a Subordinated Debt Security Default with respect to any series of subordinated debt securities if:

- any installment of interest upon any subordinated debt security of that series is not paid on or before its Deferred Payment Date and such failure continues for 14 days; or

- all or any part of the principal of any subordinated debt security of that series is not paid on its Deferred Payment Date, or when it otherwise becomes due and payable, whether upon redemption or otherwise, and such failure continues for seven days.

If a Subordinated Debt Security Default occurs and is continuing, the trustee may pursue all legal remedies available to it, including commencing a proceeding for our winding up in England or Scotland (but not elsewhere), but the trustee may not declare the principal amount of any outstanding subordinated debt security due and payable. However, failure to make any payment on a series of subordinated debt securities shall not be a Subordinated Debt Security Default if it is withheld or refused in order to comply with any applicable fiscal or other law or regulation or order of any court of competent jurisdiction, or if there is doubt as to the validity or applicability of any law, regulation or order, in accordance with advice given at any time before the expiry of the applicable 14-day or 7-day period by independent legal advisors acceptable to the trustee. In the second case, the trustee may require us to take action (including proceedings for a court declaration) to resolve the doubt, if counsel advises it that such action is appropriate and reasonable in the circumstances, in which case we shall immediately take and expeditiously proceed with the action and shall be bound by any final resolution of the doubt. If any such action results in a determination that the relevant payment can be made without violating any applicable law, regulation or order then the payment shall become due and payable on the expiration of the applicable 14-day or 7-day period after the trustee gives written notice to us informing us of such determination.

By accepting a subordinated debt security, each holder and the trustee will be deemed to have waived any right of set-off, counterclaim or combination of accounts with respect to the subordinated debt securities or the applicable indenture (or between our obligations under or in respect of any subordinated debt security and any liability owed by a holder or the trustee to us) that they might otherwise have against us, whether before or during our winding up.

Table of Contents

Capital Security Defaults

Unless the relevant prospectus supplement provides otherwise, it shall be a Capital Security Default with respect to any series of capital securities if:

we fail to pay or to set aside a sum to provide for payment of any Missed Payments on or prior to the date upon which a dividend is paid on any class of our share capital, or we make a redemption or repurchase of any other capital securities of the same series other than a repurchase in connection with dealing in securities, and such failure continues for 30 days; or

we fail to pay or to set aside a sum to provide for payment of the principal amount, any accrued but unpaid payments and any Missed Payments on the date fixed for redemption of the capital security and such failure continues for seven days.

If any Capital Security Default shall occur and is continuing, the trustee may pursue all legal remedies available to it, including commencing a judicial proceeding for the collection of the sums due and unpaid or a proceeding for our winding up in England or Scotland (but not elsewhere), but the trustee may not declare the principal amount or other interest on or expenses in respect of any outstanding capital security to be due and payable and in so doing any such proceedings shall not prejudice the provisions relating to subordination set out above. If we fail to make payment as described above and the solvency condition is not satisfied at the end of the 30-day or 7-day period following that failure, it shall not create a Capital Security Default but instead shall create a Capital Security Payment Event . On a Capital Security Payment Event, the trustee may institute proceedings in England or Scotland (but not elsewhere) for our winding up but may not pursue any other legal remedy, including a judicial proceeding for the collection of the sums due and unpaid.

By accepting a capital security, each holder and the trustee will be deemed to have waived any right of set-off, counterclaim or combination of accounts with respect to the capital securities or the applicable indenture (or between our obligations under or in respect of any capital securities and any liability owed by a holder or the trustee to us) that they might 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 amount of the debt securities of any series may waive any past Event of Default, Subordinated Debt Security Default, Capital Security Default or Capital Security Payment Event with respect to the series, except an Event of Default, Subordinated Debt Security Default or Capital Security Default in respect of the payment of principal of or payments or Missed Payments on, any debt security or a covenant or provision of the applicable indenture which cannot be modified or amended without the consent of each holder of debt securities of such series.

Subject to the provisions of the applicable indenture relating to the duties of the trustee, if an Event of Default, Subordinated Debt Security Default, Capital Security Default or Capital Security Payment Event occurs and is continuing with respect to the debt securities of any series, the trustee will be under no obligation to any holder or holders of the debt securities of the series, unless they have offered reasonable indemnity to the trustee. Subject to the indenture provisions for the indemnification of the trustee, the holder or holders of a majority in aggregate principal amount of the outstanding debt securities of any series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee with respect to the series, if the direction is not in conflict with any rule of law or with the applicable indenture and the trustee does not determine that the action would be unjustly prejudicial to the holder or holders of any debt securities of any series not taking part in that direction. The trustee may take any other action that it deems proper which is not inconsistent with that direction.

The indentures provide that the trustee will, within 90 days after the occurrence of an Event of Default, Subordinated Debt Security Default, Capital Security Default or Capital Security Payment Event with respect to the debt securities of any series, give to each holder of the debt securities of the affected

series notice of the Event of Default, Subordinated Debt Security Default, Capital Security Default, or Capital Security Payment Event known to it, unless the Event of Default, Subordinated Debt Security Default, Capital Security Default or Capital Security Payment Event has been cured or waived. However, the trustee shall be protected in withholding notice if it 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 all conditions and covenants under the indenture.

Consolidation, Merger and Sale of Assets; Assumption

We may, without the consent of the holders of any of the debt securities, consolidate with, merge into or transfer or lease our assets substantially as an entirety to, any person, provided that any successor corporation formed by any consolidation or amalgamation, or any transferee or lessee of our assets, is a company organized under the laws of any part of the United Kingdom that assumes our obligations on the debt securities and under the applicable indenture, and that certain other conditions are met.

Subject to applicable law and regulation, any of our wholly-owned subsidiaries may assume our obligations under the debt securities of any series without the consent of any holder, provided that we unconditionally guarantee, on a subordinated basis in substantially the manner described under Subordination above, the obligations of the subsidiary under the debt securities of that series. If we do, all of our direct obligations under the debt securities of the series and the applicable indenture shall immediately be discharged. Any Additional Amounts under the debt securities of the series will be payable in respect of taxes imposed by the jurisdiction in which the assuming subsidiary is incorporated, subject to exceptions equivalent to those that apply to any obligation to pay Additional Amounts in respect of taxes imposed by any U.K. taxing jurisdiction, rather than taxes imposed by any U.K. taxing jurisdiction. However, if we make payment under the guarantee, we shall be required to pay Additional Amounts related to taxes, subject to the exceptions described in Additional Amounts above, imposed by any U.K. taxing jurisdiction by reason of the guarantee payment. The subsidiary that assumes our obligations will also be entitled to redeem the debt securities of the relevant series in the circumstances described in Redemption above with respect to any change or amendment to, or change in the application or official interpretation of, the laws or regulations (including any treaty) of the assuming subsidiary s jurisdiction of incorporation which occurs after the date of the assumption. However, the determination of whether the solvency condition has been satisfied shall continue to be made with reference to us, unless applicable law requires otherwise.

An assumption of our obligations under the debt securities of any series might be deemed for US federal income tax purposes to be an exchange of those debt securities for new debt securities by each beneficial owner, resulting in a recognition of taxable gain or loss for those purposes and possibly certain other adverse tax consequences. You should consult your tax advisor regarding the U.S. federal, state and local income tax consequences of an assumption.

Governing Law

The debt securities and the indentures will be governed by and construed in accordance with the laws of the State of New York, except that, as the indentures specify, the subordination provisions of each series of debt securities and 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 in writing and mailed, first-class postage 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 have and be subject to all the duties and responsibilities specified with respect to an indenture trustee under the Trust Indenture Act of 1939. Subject to the provisions of the Trust Indenture Act of 1939, the trustee is under no

obligation to exercise any of the powers vested in it by the indentures at the request of any holder of notes, unless offered reasonable indemnity by the holder against the costs, expense and liabilities which might be incurred thereby. We and certain of our subsidiaries maintain deposit accounts and conduct other banking transactions with The Bank of New York in the ordinary course of our business. The Bank of New York is also the book-entry depositary with respect to certain of our debt securities and the depositary with respect to the ADSs representing certain of our preference shares, and trustee with respect to certain of our other debt securities.

Consent to Service of Process

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

Table of Contents

DESCRIPTION OF DOLLAR PREFERENCE SHARES

The following is a summary of the general terms of the dollar preference shares of any series. Each time that we issue dollar preference shares, we will file a prospectus supplement with the SEC, which you should read carefully. The prospectus supplement will designate the terms of the dollar preference shares of the particular series, which are set out in the resolutions establishing the series that our board of directors or an authorized committee thereof (referred to in this section as the board of directors) adopt. These terms may amend, supplement or be different from those summarized below, and if so the applicable prospectus supplement will state that, and the description of the dollar preference shares of that series contained in the prospectus supplement will apply. You should also read our Articles of Association, which we have filed with the SEC as an exhibit to the registration statement of which this prospectus is a part. You should read the summary of the general terms of the ADR deposit agreement under which American Depositary Receipts evidencing American Depositary Shares that may represent dollar preference shares may be issued, under the heading Description of American Depositary Receipts .

General

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

The dollar preference shares of any series will have the dividend rights, rights upon liquidation, redemption provisions and voting rights described below, unless the relevant prospectus supplement provides otherwise. You should read the prospectus supplement for the specific terms of any series, including:

- the number of shares offered, the number of shares offered in the form of ADSs and the number of dollar preference 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 on the dollar preference shares in the event of certain developments with respect to withholding tax or information reporting laws;
- any redemption, conversion or exchange provisions;
- any listing on a securities exchange; and
- any other rights, preferences, privileges, limitations and restrictions relating to the series.

The prospectus supplement will also describe material U.S. and U.K. tax considerations that apply to any particular series of dollar preference shares.

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

Table of Contents

the sterling preference shares and the cumulative preference shares and, unless the resolutions of our board of directors establishing any series of dollar preference shares specify otherwise and the related prospectus supplement so states, will rank equally in all respects with the dollar preference shares of each other series and any other of our shares which are expressed to rank equally with them. The preferential rights to dividends of the holders of the cumulative preference shares are cumulative whereas the preferential rights to dividends of the holders of any series of dollar preference shares, any series of exchange preference shares, the euro preference shares, and any sterling preference shares will be or are non-cumulative. Holders of dollar preference shares will have no pre-emptive rights.

The dollar preference shares will rank in priority to our ordinary shares as regards the right to receive dividends and rights to repayment of capital if we are wound up or liquidated, whether or not voluntarily.

There are no restrictions under our Articles of Association or under Scots law as currently in effect that limit the right of non-resident or foreign owners, as such, to acquire dollar preference shares of any series freely or, when entitled to vote dollar preference shares of a particular series, to vote those dollar preference shares. There are currently no English or Scots laws, decrees, or regulations that would prevent the remittance of dividends or other payments on the dollar preference shares of any series to non-resident holders.

Dividends

Non-cumulative preferential dividends on each series of dollar preference shares will be payable at the rate or rates and on the dates set out in the relevant prospectus supplement and will accrue from their date of issue.

Pursuant to our Articles of Association, our board of directors may resolve prior to the issue and allotment of any series of dollar preference shares that full dividends on such series of dollar preference shares in respect of a particular dividend payment date will not be declared and paid if, (i) in its sole and absolute discretion, the board of directors resolves prior to the relevant dividend payment date that such dividend (or part thereof) shall not be paid or (ii) in the opinion of the board of directors, payment of a dividend would breach or cause a breach of the capital adequacy requirements of the U.K. Financial Services Authority that apply at that time to us and/or any of our subsidiaries, or, subject to the next following paragraph, our distributable profits, after the payment in full, or the setting aside of a sum to provide for the payment in full, of all dividends stated to be payable on or before the relevant dividend payment date on the cumulative preference shares (and any arrears of dividends thereon), are insufficient to cover the payment in full of dividends on that series of dollar preference shares and dividends on any of our other preference shares stated to be payable on the same date as the dividends on that series and ranking equally as to dividends with the dollar preference shares of that series. The U.K. Companies Act 1985 (as amended) defines distributable profits as, in general terms, and subject to adjustment, accumulated realized profits less accumulated realized losses.

Unless the applicable prospectus supplement states otherwise, if dividends are to be paid but our distributable profits are, in the opinion of the board of directors, insufficient to enable payment in full of dividends on any series of dollar preference shares on any dividend payment date and also the payment in full of all other dividends stated to be payable on such date on any other non-cumulative preference shares and any other share capital expressed to rank *pari passu* therewith as regards participation in profits, after payment in full, or the setting aside of a sum to cover the payment in full, of all dividends stated to be payable on or before such date on any cumulative preference share, then the board of directors shall (subject always to sub-clauses (i) and (ii) of the preceding paragraph) declare and pay dividends to the extent of the available distributable profits (if any) on a *pro rata* basis so that (subject as aforesaid) the amount of dividends declared per share on the dollar preference shares of the series and the dividends stated to be payable on such date on any other non-cumulative preference shares and any other share capital expressed to rank *pari passu* therewith as regards distribution of profits will bear to each other the same ratio that accrued dividends per share on the dollar preference shares of the series and other non-cumulative preference shares, and any other share capital expressed to rank *pari passu* therewith as regards participation in profits, bear to each other.

Table of Contents

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

If we have not declared and paid in full the dividend stated to be payable on any series of dollar preference shares on the most recent dividend payment date, or if we have not set aside a sum to provide for payment in full, in either case for the reasons set out in sub-clause (ii) of the second paragraph of this section, we may not declare or pay any dividends upon any of our other share capital (other than the cumulative preference shares) and we may not set aside any sum to pay such dividends, unless, on the date of declaration, we set aside an amount equal to the dividend for the then-current dividend period payable on that series of dollar preference shares to provide for the payment in full of the dividend on that series of dollar preference shares on the next dividend payment date. If we have not declared and paid in full any dividend payable on any series of dollar preference shares on any dividend payment date, or if we have not set aside a sum to provide for payment in full, in either case for the reasons set out in sub-clause (ii) of the second paragraph of this section, we may not redeem, purchase or otherwise acquire for any consideration any of our other share capital and may not set aside any sum or establish any sinking fund to redeem, purchase or otherwise acquire them, until we have declared and paid in full dividends on that series of dollar preference shares in respect of successive dividend periods singly or together aggregating no less than 12 months.

To the extent that any dividend on any dollar preference share to which sub-clause (i) of the second paragraph of this section applies is, on any occasion, not declared and paid by reason of the exercise of the board of directors discretion referred to in sub-clause (i) of the second paragraph of this section, holders of such dollar preference shares shall have no claim in respect of such non-payment. In addition, such non-payment shall not prevent or restrict (a) the declaration and payment of dividends on any other series of dollar preference shares or on any of our non-cumulative preference shares expressed to rank *pari passu* with our dollar preference shares, (b) the setting aside of sums for the payment of dividends referred to in (a), (c) except as set forth in the following paragraph, the redemption, purchase or other acquisition of our shares by us, or (d) except as set forth in the following paragraph, the setting aside of sums, or the establishment of sinking funds, for any such redemption, purchase or other acquisition by us.

If we have not declared and paid in full the dividend stated to be payable on any series of dollar preference shares as a result of the board of directors discretion referred to in sub-clause (i) of the second paragraph of this section, then we may not redeem, purchase or otherwise acquire for any consideration any of our share capital ranking after such dollar preference shares, and may not set aside any sum nor establish any sinking fund for the redemption, purchase or other acquisition 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. In addition, no dividend may be declared or paid on any of our share capital ranking after such dollar preference shares as to dividends until such time as the dividend stated to be payable on the dollar preference shares to which the discretion 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 preference shares with which it is expressed to rank *pari passu* as regards participation in profits, by reason only of the board of directors discretion referred to in sub-clause (i) of the second paragraph of this section, or any dividend on that series not being paid by virtue of such discretion.

Dividends on the dollar preference shares of any series will be non-cumulative. If the board of directors does not pay a dividend or any part of a dividend when due on a dividend payment date in respect of any series of dollar preference shares because it is not required to do so, then holders of dollar preference shares of the applicable series will have no claim in respect of the non-payment and we will have no obligation to pay the dividend accrued for the dividend period or to pay any interest on the dividend, whether or not dividends on the dollar preference shares of the series are declared for any future

dividend period. The holders of the dollar preference shares of any series will have no right to participate in our profits.

Any dividend which has remained unclaimed for 12 years from the date when it became due shall be forfeited and shall revert to us.

We will calculate the amount of dividends payable on the dollar preference shares of any series for each dividend period using the method determined by the board of directors before the shares are issued, except for any dividend period shorter than a full dividend period, for which the amount of dividend payable will be calculated on the basis of 12 30-day months, a 360-day year and the actual number of days elapsed in the period, unless the applicable prospectus supplement states otherwise. Payments of less than $0.01 will be rounded upwards.

Dividends declared on the dollar preference shares of any series will be payable to the ADR depositary or the record holders as they appear on the register on the appropriate record dates, which will be the number of days before the relevant dividend payment dates that the board of directors determines before the allotment of the particular series. If applicable fiscal or other laws and regulations permit, each payment will be made, in the case of dollar preference shares of any series in bearer form, by dollar check drawn on, or by transfer to a dollar account maintained by the payee with, a bank in London or in The City of New York or, in the case of dollar preference shares of any series in registered form, by dollar check drawn on a bank in London or in The City of New York and mailed to the record holder at the holder s address as it appears on the register for the dollar preference shares. If any date on which dividends are payable on the dollar preference shares of any series is not a business day, then we will pay the dividend on the next business day, without any interest or other payment in respect of the delay, unless it falls in the next calendar month, in which case we will make the payment on the preceding business day. A business day is any day on which banks are open for business, and foreign exchange dealings may be 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 the dollar preference shares of each series will be entitled to receive out of our surplus assets available for distribution to shareholders, after payment of arrears (if any) of dividends on the cumulative preference shares up to the date of payment, equally with our cumulative preference shares, any other series of non-cumulative preference shares then outstanding, and all of our other shares ranking equally with that series of dollar preference shares as regards participation in our surplus assets, a distribution in U.S. dollars per dollar preference share equal to the liquidation value per share, together with an amount equal to dividends for the then-current dividend period accrued to the date of payment, before any distribution or payment may be made to holders of our ordinary shares or any other class of our shares ranking after the dollar preference shares of that series. If the assets available for distribution are insufficient to pay in full the amounts payable with respect to the dollar preference shares of that series and any of our other preference shares ranking equally as to any such distribution with those dollar preference shares, the holders of those dollar preference shares and other preference shares will share ratably in any distribution of our surplus assets in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount of the liquidation distribution to which they are entitled, the holders of the dollar preference shares will have no right or claim to any of our surplus assets and will not be entitled to any further participation in surplus assets. If the holders of the dollar preference shares are entitled to any recovery with respect to the dollar preference shares in any winding up or liquidation, they might not be entitled in such proceedings to a recovery in U.S. dollars and might be entitled only to a recovery in pounds sterling.

Optional Redemption

Unless the relevant prospectus supplement specifies otherwise, we may redeem the dollar preference shares of each series, at our option, in whole or in part from time to time, on any date no earlier than five years and one day after they are issued, in accordance with the notice period and at the redemption

prices set forth in the prospectus supplement plus the dividends otherwise payable for the then-current dividend period 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 dividend per share to be included and stating that dividends shall cease to accrue on redemption; and
- the place or places where holders may surrender documents of title and obtain payment of the redemption price.

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

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

If certain limitations contained in our Articles of Association, the special rights of any of our shares, and the provisions of applicable law permit (including, without limitation, the U.S. federal securities laws), we may, at any time or from time to time, purchase outstanding dollar preference shares of any series by tender, available to all holders of those dollar preference shares, in the open market, or by private agreement, in each case upon the terms and conditions that the board of directors shall determine. Any dollar preference shares of any series that we purchase for our own account will pursuant to applicable law be treated as cancelled and will no longer be issued and outstanding.

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

Voting Rights

The holders of the dollar preference shares of any series will not be entitled to receive notice of, attend or vote at any general meeting of our shareholders except as provided by applicable law or as described below.

If any resolution is proposed for adoption by our shareholders varying or abrogating any of the rights attaching to the dollar preference shares of a particular series or proposing that we be wound up, the holders of the outstanding dollar preference shares will be entitled to receive notice of and to attend the general meeting of shareholders at which the resolution is to be proposed and will be entitled to speak and vote on that resolution, but not on any other resolution. In addition, if, before any general meeting of shareholders, we have failed to pay in full the dividend payable on the dollar preference shares of a particular series for a number of dividend periods specified in the relevant prospectus supplement, the holders of the dollar preference shares of that series shall be entitled to receive notice of, attend, speak and vote at that meeting on all matters. In these circumstances only, the rights of the holders of dollar preference shares of that series to vote shall continue until we have resumed the payment in full of dividends on the dollar preference shares of that series for the number of dividend periods specified in the prospectus supplement. Holders of any series of dollar preference shares shall be entitled to receive notice of, attend, speak and vote at general meetings in other circumstances if the board of directors determines, as specified in the prospectus supplement.

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

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

Our Articles of Association provide that all resolutions shall be decided on a show of hands unless, either before or on the declaration of the result of the vote taken on a show of hands, a poll is demanded by:

- 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 entitled to vote on the resolution, present in person or by proxy who represent at least 10% of the total voting rights of all shareholders entitled to vote on the resolution; or
- a shareholder or shareholders present in person or by proxy and holding shares conferring a right to vote at the meeting on which an aggregate sum has been paid up equal to not less than 10% of the total sum paid up on all shares conferring that right.

The holders, including holders of any series of dollar preference shares at a time when they have voting rights as a result of our having failed to pay dividends on the series for the number of dividend periods specified in the applicable prospectus supplement, of not less than 10% of the paid up capital that at the relevant date carries the right of voting at our general meetings are entitled to require our board of directors to convene an extraordinary general meeting. In addition, the holders of any series of dollar preference shares may have the right to vote separately as a class in certain circumstances as described below under the heading Variation of Rights .

At June 30, 2007, we had approximately 9,450 million ordinary shares outstanding. The dollar preference shares of any series will not limit our ability to issue additional ordinary shares.

Form

The dollar preference shares of any series will, when issued, be fully paid and, as such, will not be subject to a call for any additional payment. For each dollar preference share of each series issued, an amount equal to its nominal value will be credited to our issued share capital account and an amount equal to the difference between its issue price and its nominal value will be credited to our share premium account.

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

Title to dollar preference shares of any series in registered form will pass by transfer and registration on the register for the dollar preference shares of the series. Title to dollar preference shares of any series in bearer form, or to any dividend coupons appertaining to them, will pass by delivery of the relevant bearer share warrants or dividend coupons. If our Articles of Association and the limitations described in the following paragraph and in any relevant prospectus supplement permit, dollar preference shares of a particular series in bearer form will be exchangeable for the same number of dollar preference shares of the series in registered form upon surrender of the relevant bearer share warrants and all unmatured dividend coupons, if any, appertaining to them. Unless the prospectus supplement specifies otherwise,

Table of Contents

dollar preference shares of any series in registered form will not be exchangeable, in whole or in part, for dollar preference shares of such series in bearer form.

Each exchange or registration of transfer of dollar preference shares of any series in registered form will be effected by entry on the register for the dollar preference shares of the series kept by our registrar at its office in the United Kingdom. Any exchange or registration of transfer will be effected without charge to the person requesting the exchange or registration, but the requesting person will be required to pay any related taxes, stamp duties or other governmental charges. The exchange of dollar preference shares of any series in bearer form for the dollar preference shares of such series in registered form will also be subject to applicable U.K. tax laws and regulations in effect at the time of the exchange. No exchange will be made unless any resulting taxes, stamp duties or other governmental charges have been paid to us.

Variation of Rights

If applicable law permits, the rights attached to any series of dollar preference shares may be varied or abrogated only with the written consent of the holders of 75% in nominal value of the outstanding dollar preference shares of that series or with the sanction of an extraordinary resolution passed at a separate class meeting of the holders of the outstanding dollar preference shares of that series. An extraordinary resolution will be adopted if passed by a majority of 75% of those holders voting in person or by proxy at the meeting. The quorum required for any such class meeting will be two persons holding or representing by proxy at least one-third in nominal amount of the outstanding dollar preference shares of the particular 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 a particular series or the sanction of an extraordinary resolution passed at a separate class meeting of holders of the outstanding dollar preference shares of the series will be required if our directors propose to authorize, create or increase the amount of any shares of any class or any security convertible into shares of any class ranking as regards rights to participate in our profits or assets, other than if we redeem or purchase the shares, in priority to the series of dollar preference shares.

If we have paid the most recent dividend payable on the dollar preference shares of a particular series in full, the rights attached to that series will not be deemed to be varied by the creation or issue of any further series of dollar preference shares or of any sterling preference shares or of any other further shares ranking equally as regards participation in our profits or assets with or junior to the dollar preference shares of that series, whether carrying identical rights or different rights in any respect, including as to dividend, premium on a return of capital, redemption or conversion or denominated in dollars or any other currency.

Notices of Meetings

We will cause a notice of any meeting at which holders of dollar preference shares of a particular series are entitled to vote to be mailed to each record holder of dollar preference shares of that series. Each such notice will state:

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

A holder of dollar preference shares of any series in registered form who is not registered with an address in the United Kingdom and who has not supplied an address within the United Kingdom to us for the purpose of service of notices is not entitled to receive notices of meetings. For a description of notices that we will give to the ADR depositary and that the ADR depositary will give to ADR holders, you should see Where You Can Find More Information .

Table of Contents

Governing Law

The creation and issuance of the dollar preference shares of any series and the rights attached to them shall be governed by and construed in accordance with Scots law.

23

Table of Contents

DESCRIPTION OF AMERICAN DEPOSITARY RECEIPTS

The following is a summary of the general terms and provisions of the ADR deposit agreement under which the ADR depositary will issue the ADRs. The ADR deposit agreement is among us, The Bank of New York, as depositary, and all holders from time to time of ADRs issued under it. This summary does not purport to be complete. You should read the ADR deposit agreement, which we have filed with the SEC as an exhibit to the registration statement of which this prospectus is a part. You may also read the ADR deposit agreement at the principal offices of The Bank of New York in The City of New York and London.

American Depositary Receipts

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

Deposit and Withdrawal of Deposited Securities

Upon receipt of dollar preference shares of a particular series or evidence of rights to receive dollar preference shares, and subject to the terms of the ADR deposit agreement, the ADR depositary will execute and deliver at its principal office, which is presently located at 101 Barclay Street, New York, New York 10286, U.S.A., to the person or persons specified by the depositor in writing upon payment of the fees, charges and taxes provided in the ADR deposit agreement, an ADR or ADRs registered in the name of that person or persons evidencing the number of ADSs of the series corresponding to the dollar preference shares of that series.

Upon surrender of ADRs at the principal office of the ADR depositary and upon payment of the taxes, charges and fees provided in the ADR deposit agreement and subject to the terms of the ADR deposit agreement, an ADR holder is entitled to delivery to or upon its order, at the principal office of the ADR depositary or at the office of the custodian in London, of dollar preference shares of the relevant series in registered form in respect of the deposited dollar preference shares and any other documents of title evidenced by the surrendered ADRs. The forwarding of share certificates and other documents of title for delivery at the principal office of the ADR depositary will be at the risk and expense of the ADR holder.

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

Dividends and Other Distributions

The ADR depositary will distribute all cash dividends or other cash distributions that it receives in respect of deposited dollar preference shares of a particular series to ADR holders in proportion to their holdings of ADSs of the series representing the dollar preference shares. The cash amount distributed will be reduced by any amounts that we or the ADR depositary must withhold on account of taxes.

If we make any distribution other than in cash in respect of any deposited dollar preference shares of a particular series, the ADR depositary will distribute the property received by it to ADR holders in proportion to their holdings of ADSs of the series representing the dollar preference shares. If a distribution that we make in respect of deposited dollar preference shares of a particular series consists of a dividend in, or free distribution of, dollar preference shares of the series, the ADR depositary may, if we approve, and will, if we request, distribute to ADR holders, in proportion to their holdings of ADSs of the series representing the dollar preference shares, additional ADRs for an aggregate number of ADSs of that series received as the dividend or free distribution. If the ADR depositary does not distribute additional ADRs, each ADS of that series will from then also represent the additional dollar preference shares of the

corresponding series distributed in respect of the deposited dollar preference shares before the dividend or free distribution.

If the ADR depositary determines that any distribution in property, other than cash or dollar preference shares of a particular series, cannot be made proportionately among ADR holders or if for any other reason, including any requirement that we or the ADR depositary withhold an amount on account of taxes, the ADR depositary deems that such a distribution is not feasible, the ADR depositary may dispose of all or a portion of the property in the amounts and in the manner, including by public or private sale, that it deems equitable and practicable, and it will distribute the net proceeds of any such sale or the balance of any such property after deduction of any taxes that we or the ADR depositary must withhold to ADR holders as 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 will redeem, from the amounts that it receives from the redemption of deposited dollar preference shares, a number of ADSs of the series representing those dollar preference shares which corresponds to the number of deposited dollar preference shares. The ADS redemption price will correspond to the redemption price per share payable with respect to the redeemed dollar preference shares. If we redeem less than all of the outstanding dollar preference shares of a particular series, the ADR depositary will select the ADSs of the corresponding series to be redeemed, either by lot or in proportion to the number of dollar preference shares represented. We must give our notice of redemption in respect of the dollar preference shares of a particular series to the ADR depositary before the redemption date and the ADR depositary will promptly deliver the notice to all holders of ADRs of the corresponding series.

Record Dates

Whenever any dividend or other distribution becomes payable or shall be made in respect of dollar preference shares of a particular series, or any dollar preference shares of a particular series are to be redeemed, or the ADR depositary receives notice of any meeting at which holders of dollar preference shares of a particular series are entitled to vote, the ADR depositary will fix a record date for the determination of the ADR holders who are entitled to receive the dividend, distribution, amount in respect of redemption of ADSs of the corresponding series, or the net proceeds of their sale, or to give instructions for the exercise of voting rights at the meeting, subject to the provisions of the ADR deposit agreement. Such record date will be as close in time as practicable to the record date for the dollar preference shares.

Voting of the Underlying Deposited Securities

Upon receipt of notice of any meeting at which holders of dollar preference shares of a particular series are entitled to vote, the ADR depositary will, as soon as practicable thereafter, mail to the record holders of ADRs 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 a specified record date are entitled under the ADR deposit agreement, if applicable laws and regulations and our Articles of Association permit, to instruct the ADR depositary as to the exercise of the voting rights pertaining to the dollar preference shares of the series represented by their ADSs; and

- a brief statement of how they may give instructions, including an express indication that they may instruct the ADR depositary to give a discretionary proxy to a designated member or members of our board of directors.

The ADR depositary has agreed that it will try, if practicable, to vote or cause to be voted the dollar preference shares in accordance with any written nondiscretionary instructions of record holders of ADRs that it receives on or before the date set by the ADR depositary. The ADR depositary has agreed not to vote the dollar preference shares except in accordance with written instructions from the record holders of ADRs.

Inspection of Transfer Books

The ADR depositary will keep books, at its transfer office in The City of New York, for the registration and transfer of ADRs that at all reasonable times will be open for inspection by ADR holders. However, this inspection may not be for the purpose of communicating with ADR holders in the interest of a business or object other than our business or a matter related to the ADR deposit agreement or the ADRs.

Reports and Notices

The ADR depositary will make available at its principal office for inspection by ADR holders any reports and communications received from us that are both received by the ADR depositary as the holder of dollar preference shares of the applicable corresponding series and made generally available to the holders of those dollar preference shares by us, including our annual report and accounts. The ADR depositary will also mail copies of those reports to ADR holders when 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, of any meeting at which holders of the dollar preference shares of a particular series are entitled to vote, or of any reconvening of any such adjourned meeting of holders, or of the taking of any action in respect of any cash or other distributions on or any redemption of dollar preference shares of a particular series, we shall transmit to the ADR depositary a copy of the notice in the form given or to be given to holders of the dollar preference shares. The ADR depositary will, at our expense, arrange for the prompt transmittal by the custodian to the ADR depositary of such notices, and, if we request in writing, arrange for the mailing, at our expense, of 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 provisions of the ADR deposit agreement relating to those ADRs may at any time and from time to time be amended by agreement between us and the ADR depositary in any respect which we may deem necessary or desirable. Any amendment that imposes or increases any fees or charges, other than taxes and other governmental charges, or that otherwise prejudices any substantial existing right of holders of outstanding ADRs evidencing ADSs of a particular series, will not take effect as to any ADRs until 30 days after notice of the amendment has been given to the record holders of those ADRs. Every holder of any ADR at the time an amendment becomes effective, if it has been given notice, will be deemed by continuing to hold the ADR to consent and agree to the amendment and to be bound by the ADR deposit agreement or the ADR as amended. In no event may any amendment impair the right of any holder of ADRs to surrender ADRs and receive in return the dollar preference shares of the corresponding series and other property represented by the ADRs.

Whenever we direct, the ADR depositary has agreed to terminate the ADR deposit agreement as to dollar preference shares of any and all series and the deposited securities, ADSs and ADRs of all corresponding series by mailing a termination notice to the record holders of all those outstanding ADRs at least 30 days before the date fixed in the notice for termination. The ADR depositary may likewise terminate the ADR deposit agreement as to dollar preference shares of any and all series and the deposited securities, ADSs and ADRs of all corresponding series by mailing a termination notice to us and the record holders of all those outstanding ADRs at any time 60 days after it has delivered to us a written notice of its election to resign, if a successor depositary has not been appointed and accepted its appointment as provided in the ADR deposit agreement. If any ADRs evidencing ADSs of a particular series remain outstanding after the date of any termination, the ADR depositary will then discontinue the registration of transfers of those ADRs, will suspend the distribution of dividends to holders and will not give any further notices or perform any further acts under the ADR deposit agreement with respect to those ADRs, except that it will continue to collect dividends and other distributions pertaining to the dollar preference shares of the corresponding series and any other property represented by those ADRs, and will continue the delivery of dollar preference shares of the corresponding series, together with any dividends or other distributions received with respect to them and the net proceeds of the sale of any

property, in exchange for ADRs surrendered to it. At any time after two years from the date of termination of the ADR deposit agreement as to ADRs evidencing ADSs of a particular series, the ADR depositary may sell the dollar preference shares of the corresponding series and any other property represented by those ADRs and may hold the net proceeds, together with any other cash then held by it under the ADR deposit agreement in respect of those ADRs, without liability for interest, for the ratable benefit of the holders of ADRs that have not previously been surrendered.

Charges of ADR Depositary

The ADR depositary will charge the party to whom it delivers ADRs against deposits, and the party surrendering ADRs for delivery of dollar preference shares of a particular series or other deposited securities, property and cash, $5 for each 100, or fraction of 100, ADSs evidenced by the ADRs issued or surrendered. We will pay all other charges of the ADR depositary and those of any registrar, co-transfer agent and co-registrar under the ADR deposit agreement, but, unless the relevant prospectus supplement with respect to a particular series of dollar preference shares or securities convertible into or exchangeable for dollar preference shares of any series states otherwise, we will not pay:

taxes, including U.K. stamp duty or U.K. stamp duty reserve tax, and other governmental charges;

any applicable share transfer or registration fees on deposits or withdrawals of dollar preference shares;

cable, telex, facsimile transmission and delivery charges which the ADR deposit agreement provides are at the expense of the holders of ADRs or persons depositing or withdrawing dollar preference shares of any series; or

expenses incurred or paid by the ADR depositary in any conversion of foreign currency into dollars.

You will be responsible for any taxes or other governmental charges payable on your ADRs or on the deposited securities underlying your ADRs (including U.K. stamp duty or U.K. stamp duty reserve tax, but not stamp duty reserve tax arising on issue of the securities underlying your ADRs). The ADR depositary may refuse to transfer your ADRs or allow you to withdraw the deposited securities underlying your ADRs until such taxes or other charges are paid. The ADR depositary may withhold any dividends or other distributions, or may sell for the account of the holder any part or all of the deposited securities evidenced by the ADR, and may apply dividends or other distributions or the proceeds of any sale in payment of the tax or other governmental charge, with the ADR holder remaining liable for any deficiency.

General

Neither the ADR depositary nor we will be liable to ADR holders if prevented or forbidden or delayed by any present or future law of any country or by any governmental authority, or by reason of any provision, present or future, of our Memorandum or Articles of Association, or any act of God or war or other circumstances beyond our control in performing our obligations under the ADR deposit agreement. The obligations of both of us 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 in the United States, the ADR depositary will act as registrar or, if we request or with our approval, appoint a registrar or one or more co-registrars, for registration of the ADRs evidencing the ADSs in accordance with any exchange requirements. The registrars or co-registrars may be removed and a substitute or substitutes appointed by the ADR depositary if we request or with our approval.

The ADRs evidencing ADSs of any series are transferable on the books of the ADR depositary. However, the ADR depositary may close the transfer books as to ADRs evidencing ADSs of a particular series at any time or from time to time when it deems it expedient to do so in connection with the performance of its duties or if we request. As a condition precedent to the execution and delivery, registration of transfer, split-up, combination or surrender of any ADR evidencing ADSs of a particular series, or transfer and withdrawal of dollar preference shares of the corresponding series, the ADR

depositary or the custodian may require the person presenting the ADR or depositing the dollar preference shares to pay a sum sufficient to reimburse it for any related tax or other governmental charge and any share transfer or registration fee and any applicable fees payable as provided in the ADR deposit agreement, and the ADR depositary may withhold any dividends or other distributions, or may sell for the account of the holder any part or all of the dollar preference shares evidenced by the ADR, and may apply dividends or other distributions or the proceeds of any sale in payment of the tax or other governmental charge, with the ADR holder remaining liable for any deficiency. Any person presenting dollar preference shares of any series for deposit or any holder of an ADR may be required from time to time to furnish the ADR depositary or the custodian with proof of citizenship or residence, exchange control approval, information relating to the registration on our books or registers or those maintained for us by the registrar for the dollar preference shares of that series, or other information, to execute certificates and to make representations and warranties that the ADR depositary or the custodian deems necessary or proper. Until those requirements have been satisfied, the ADR depositary may withhold the delivery or registration of transfer of any ADR or the distribution of any dividend or other distribution or proceeds of any sale or distribution. The delivery, transfer and surrender of ADRs of any series generally may be suspended during any period when the transfer books of the ADR depositary are closed or if we or the ADR depositary deem necessary or advisable at any time or from time to time because of any requirement of law or of any government or governmental authority, body or commission, or under any provision of the ADR deposit agreement or for any other reason, subject to the provisions of the following sentence. The surrender of outstanding ADRs of any series and withdrawal of deposited securities may only be suspended as a result of:

- temporary delays caused by closing our transfer books or those of the ADR depositary or the deposit of dollar preference shares of the corresponding series in connection with voting at a shareholders meeting or the payment of dividends;

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

- compliance with any U.S. or foreign laws or governmental regulations relating to the ADRs of the series or to the withdrawal of the deposited securities.

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

PLAN OF DISTRIBUTION

We may sell relevant securities to or through underwriters or dealers and also may sell all or part of such securities directly to other purchasers or through agents.

The distribution of the securities may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, or at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices.

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

Under agreements which we may enter into, we may be required to indemnify underwriters, dealers and agents who participate in the distribution of securities against certain liabilities, including liabilities under the Securities Act.

Unless a prospectus supplement specifies otherwise, we will not offer any securities or any investments representing securities, including ADSs or ADRs, of any series to the public in the United Kingdom. Unless otherwise specified in any agreement which we may enter into, underwriters, dealers and/or agents in relation to the distribution of securities or any investments representing securities, including ADSs or ADRs, of any series and subject to the terms of any such agreement, any underwriter, dealer or agent in connection with an offering of securities or any investments representing 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 only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the FSMA)) received by it in connection with the issue or sale of the securities or any investments representing the securities (including ADSs or ADRs) (including without limitation the registration statement, the prospectus, any preliminary prospectus, any ADR registration statement or any ADR prospectus) in circumstances in which Section 21(1) of the FSMA does not apply to us; and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the securities or any investments representing securities, including ADSs or ADRs, of such series in, from or otherwise involving the United Kingdom; and

(b) in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date), it has not made and will not make an offer of the securities or any investments representing the securities (including ADSs or ADRs) to the public in that Relevant Member State other than:

to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, 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 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000; and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts;

to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the underwriters; or

Table of Contents

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 require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

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

Each new series of debt securities or dollar preference shares will be a new issue of securities with no established trading market. If securities of a particular series are not listed on a U.S. national securities exchange, certain broker-dealers may make a market in those securities, but will not be obligated to do so and may discontinue any market making at any time without notice. We cannot give any assurance that any broker-dealer will make a market in securities of any series or as to the liquidity of the trading market for those securities.

Delayed Delivery Arrangements

If so indicated in the prospectus supplement, we may authorize underwriters or other persons acting as its agents to solicit offers by certain institutions to purchase dollar preference shares or debt securities from it pursuant to contracts providing for payment and delivery on a future date. Institutions with which such contracts may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and others, but in all cases such institutions must be approved by us. The obligations of any purchaser under any such contract will be subject to the condition that the purchase of the offered securities shall not at the time of delivery be prohibited under the laws of the jurisdiction to which such purchaser is subject. The underwriters and such other agents will not have any responsibility in respect of the validity or performance of such contracts.

LEGAL OPINIONS

Our United States counsel, Shearman & Sterling LLP, will pass upon certain legal matters relating to the securities. Our Scottish solicitors, Dundas & Wilson CS LLP, will pass upon the validity of the dollar preference shares under Scots law. Our English solicitors, Linklaters LLP, will pass upon certain matters of English law relating to the issue and sale of the securities.

EXPERTS

The financial statements and management s report on the effectiveness of the Group s internal control over financial reporting included in our Annual Report on Form 20-F, incorporated by reference in this prospectus have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports incorporated herein by reference (which reports (1) express an unqualified opinion on the financial statements and include an explanatory paragraph describing that International Financial Reporting Standards vary in certain significant respects from accounting principles generally accepted in the United States of America and that information relating to the nature and effect of such differences is presented in Note 47 to the financial statements, (2) express an unqualified opinion on management s assessment regarding the effectiveness of the Group s internal control over financial reporting, and (3) express an unqualified opinion on the effectiveness of the Group s internal control over financial reporting), and have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

EXPENSES OF THE ISSUE

We will pay or cause to be paid the following estimated expenses (not including underwriting discounts and commissions and expenses reimbursed by us) to be incurred in connection with the issuance and distribution of the securities registered under the registration statement of which this prospectus is a part. Other than the SEC registration fee, all of these expenses are estimated.

		Amount to be Paid
Securities and Exchange Commission registration fee	$	(*)
Printing and engraving expenses		55,000
Legal fees and expenses (including Blue Sky fees)		550,000
Accountants fees and expenses		12,000
Trustee s fees and expenses		22,000
Miscellaneous		11,000
Total	$	650,000

(*) A $1,177,000 fee was previously paid in connection with our registration statement on Form F-3 (File No. 333-123972).

ENFORCEMENT OF CIVIL LIABILITIES

We are a public limited company incorporated and registered in Scotland, United Kingdom. All but two of our directors and executive officers, and certain experts named in this prospectus, reside outside the United States. All or a substantial portion of our assets and the assets of those non-resident persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon us or those persons or to enforce against them judgments obtained in U.S. courts predicated upon civil liability provisions of the federal securities laws of the United States. We have been advised by our Scottish solicitors, Dundas & Wilson CS LLP (as to Scots law), and our English solicitors, Linklaters LLP (as to English law), that, both in original actions and in actions for the enforcement of judgments of U.S. courts, there is doubt as to whether civil liabilities predicated solely upon the U.S. federal securities laws are enforceable 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 copy these reports and other information at the SEC s Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549, U.S.A. You may call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. The SEC also maintains a website at http://www.sec.gov which contains in electronic form each of the reports and other information that we have filed electronically with the SEC. You can also read this material at the offices of The New York Stock Exchange, 20 Broad Street, 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 depositary for any dollar preference shares with our annual reports, which will include a description of operations, our annual audited consolidated financial statements, and, for so long as required by applicable SEC rules and regulations, reconciliations of consolidated net income and consolidated ordinary shareholders equity to generally accepted accounting principles in the United States (U.S. GAAP). We will also provide any trustee or ADR depositary with interim reports that will include unaudited interim summary consolidated financial information and, if we choose, may contain reconciliations of consolidated net income and consolidated ordinary shareholders equity to U.S. GAAP. Upon receipt, the trustee or the ADR depositary will mail the reports to all record holders of the debt securities or dollar preference shares. In addition, we will provide the trustee or the ADR depositary with all notices of meetings at which holders of debt securities or dollar preference shares are entitled to vote, and all other reports and communications that are made generally available to

holders of debt securities or dollar preference shares.

Registration Statement

This prospectus is part of a registration statement that we filed with the SEC. As exhibits to the registration statement, we have also filed the indentures, the ADR deposit agreement and our Articles of Association. Statements contained in this prospectus as to the contents of any contract or other document referred to in this prospectus are not necessarily complete, and in each instance reference is made to the copy of such contract or other document filed as an exhibit to the registration statement, each such statement being qualified in all respects by such reference. For further information, you should refer to the registration statement. You can obtain the full registration statement from the SEC or from us.

INCORPORATION OF DOCUMENTS BY REFERENCE

The SEC allows us to incorporate by reference the information that we file with the SEC. This permits us to disclose important information to you by referring to these filed documents. Any information referred to in this way is considered part of this prospectus, and any information that we file with the SEC after the date of this prospectus will automatically be deemed to update and supersede this information.

We incorporate by reference (i) our Annual Report on Form 20-F for the fiscal year ended December 31, 2006, filed with the SEC on April 24, 2007 and (ii) a Form 6-K with our interim financial results for the six months ended June 30, 2007, which we furnished to the SEC on August 15, 2007. We also incorporate by reference any future filings made with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act and certain Reports on Form 6-K, if they state that they are incorporated by reference into this prospectus, that we furnish to the SEC after the date of this prospectus and until we or any underwriters sell all of the securities.

Upon written or oral request, we will provide free of charge a copy of any or all of the documents that we incorporate by reference into this prospectus, other than exhibits which are not specifically incorporated by reference into this prospectus. To obtain copies you should contact us at Citizens Financial Group, Inc., 28 State Street, Boston, Massachusetts 02109 U.S.A.; Attention: Donald J. Barry, Jr., telephone (617) 725-5810.

American Depositary Shares, Series T
The Royal Bank of Scotland Group plc
Representing
Non-cumulative Dollar Preference Shares, Series T
(Nominal value of U.S.$.01 each)

PROSPECTUS SUPPLEMENT
September , 2007

Merrill Lynch & Co.

RBS Greenwich Capital
Morgan Stanley
UBS Investment Bank
Wachovia Securities

Banc of America Securities LLC **Lehman Brothers** **RBC Capital Markets**