

ROYAL BANK OF SCOTLAND GROUP PLC

Form 424B3

May 13, 2005

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The information in this preliminary prospectus supplement and the accompanying prospectus is not complete and may be changed. The prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any place where the offer or sale is not permitted.

**SUBJECT TO COMPLETION, DATED MAY 10, 2005**

**PROSPECTUS SUPPLEMENT**  
(To prospectus dated April 25, 2005)

Filed pursuant to Rule 424(b)(3)  
Registration Statement No. 333-123972

**American Depositary Shares, Series N**  
**The Royal Bank of Scotland Group plc**  
**Representing**  
**Non-cumulative Dollar Preference Shares, Series N**  
(Nominal value of US\$.01 each)

We are issuing non-cumulative Dollar Preference Shares, Series N, or Series N preference shares, which will be sold in the form of American Depositary Shares, Series N, or Series N ADSs.

Dividends on the Series N preference shares will accrue from the date of original issuance. We may pay dividends out of our distributable profits in US dollars quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, beginning on June 30, 2005, at the rate of US\$ \_\_\_\_\_ annually per Series N preference share. We may redeem the Series N preference shares in whole or in part at any time on or after June 30, 2010 at US\$25.00 per Series N preference share plus accrued dividends for the then-current dividend period.

If we are liquidated, you will be entitled to receive a liquidation preference of US\$25.00 per Series N preference share plus accrued dividends for the then-current dividend period, but only after we have paid all of our debts and other liabilities to our creditors and to holders of any of our capital shares that are senior to the Series N preference shares.

We will apply for listing of the Series N ADSs on the New York Stock Exchange under the symbol RBS Pr N . Trading of the Series N ADSs is expected to begin within 30 days after the initial delivery of the ADSs.

**Investing in the Series N preference shares or Series N ADSs involves risks. See Risk Factors beginning on page S-4.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined that this prospectus supplement and prospectus are truthful or complete. Any representation to the contrary is a criminal offense.**

	Per ADS	Total
Public offering price(1)	\$	\$
Underwriting discount(2)	\$	\$
Proceeds to us (before expenses)	\$	\$

(1) Plus accrued dividends, if any, from the date of original issuance.

(2) For sales to certain institutions, the underwriting discount will be \$ \_\_\_\_\_ per Series N ADS and, to the extent of such sales, the total underwriting discount will be less than the amount set forth above.

We expect that the Series N ADSs will be ready for delivery in New York, New York on or about May \_\_\_\_\_, 2005.

**Merrill Lynch & Co.**

Citigroup

Morgan Stanley

RBS Greenwich Capital

UBS Investment Bank

Wachovia Securities

May , 2005

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You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

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**ABOUT THIS PROSPECTUS SUPPLEMENT**

In this prospectus supplement, we use the following terms:

we, us and our refers to The Royal Bank of Scotland Group plc, and

Group or RBSG means The Royal Bank of Scotland Group plc and its subsidiaries.

**FORWARD-LOOKING STATEMENTS**

From time to time, we may make statements regarding our assumptions, projections, expectations, intentions or beliefs about future events. These statements constitute forward-looking statements for purposes of the Private Securities Litigation Reform Act of 1995. We caution that these statements may and often do vary materially from actual results. Accordingly, we cannot assure you that actual results will not differ materially from those expressed or implied by the forward-looking statements. You should read the section entitled Forward-looking statements in our Annual Report on Form 20-F for the year ended December 31, 2004, which report is incorporated by reference.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, forward-looking events discussed in this prospectus supplement and/or the accompanying prospectus or any information incorporated by reference, might not occur.

**WHERE YOU CAN FIND MORE INFORMATION**

We file annual, semiannual, and special reports and other information with the Securities and Exchange Commission, which we refer to as the SEC. You may read and copy any document that we file with the SEC at the Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. 20549, USA. You can call the SEC on 1-800-SEC-0330 for further information on the Public Reference Room. The SEC's website, at <http://www.sec.gov>, contains reports and other information in electronic form that we have filed.

The SEC allows us to incorporate by reference in our prospectus the information that we file with the SEC. This permits us to disclose important information to you by referring to certain previously-filed documents. We incorporate by reference our Annual Report on Form 20-F for the year ended December 31, 2004, as filed with the SEC on March 29, 2005. See also Where You Can Find More Information and Incorporation of Documents by Reference in the accompanying prospectus.

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**USE OF PROCEEDS**

We will use the net proceeds from the sale of the Series N preference shares for general corporate purposes and to strengthen our capital base.

**RISK FACTORS**

*Investing in the securities offered using this prospectus involves risk. You should carefully consider the following factors and the other information in this prospectus supplement, the accompanying prospectus and our annual report on Form 20-F for the year ended December 31, 2004 (which report is incorporated by reference), before deciding to invest in the Series N ADSs or Series N preference shares. If any of these risks occurs, our business, financial condition, and results of operations could suffer, and the trading price and liquidity of the Series N ADSs or Series N preference shares could decline, in which case you could lose part or all of your investment.*

**Risks Related to Our Business**

Set out below are certain risk factors which could affect our future results and cause them to be materially different from expected results. Our results could also be affected by competition and other factors. The factors discussed below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties our businesses face.

***Our financial performance is affected by borrower credit quality and general economic conditions, in particular in the UK, US and Europe.***

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

***Changes in interest rates, foreign exchange rates, equity prices and other market factors affect our business.***

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

***Our insurance businesses are subject to inherent risks involving claims.***

Future claims in our general and life assurance businesses may be higher than expected as a result of changing trends in claims experience resulting from catastrophic weather conditions, demographic developments, changes in mortality and other causes outside our control. Such changes would affect the profitability of current and future insurance products and services. We re-insure some of the risks we have assumed.

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### ***Operational risks are inherent in our businesses.***

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

### ***Each of our businesses is subject to regulation and regulatory oversight. Any significant regulatory developments could have an effect on how we conduct our business and on our results of operations.***

We are subject to financial services laws, regulations, administrative actions and policies in each location in which the Group operates. This supervision and regulation, in particular in the UK, if changed could materially affect our business, the products and services offered or the value of assets.

### ***Our future growth in earnings and shareholder value depends on strategic decisions regarding organic growth and potential acquisitions.***

We devote substantial management and planning resources to the development of strategic plans for organic growth and identification of possible acquisitions, supported by substantial expenditure to generate growth in customer business. If these strategic plans do not meet with success, our earnings could grow more slowly or decline.

## **Risks Related to the Series N ADSs and Series N preference shares**

### ***Dividends on the Series N preference shares are discretionary and may not be declared and paid in full if our board of directors or an authorized committee thereof resolves not to pay dividends in respect of any dividend payment date.***

Our board of directors or an authorized committee thereof (in either case referred to herein as the board of directors) may resolve, in its sole and absolute discretion, prior to the relevant dividend payment date not to pay in full dividends on the Series N preference shares. To the extent that any dividend or part thereof is on any occasion not declared and paid by reason of the exercise of such discretion, holders of Series N preference shares or Series N 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 our non-cumulative preference shares or on any of our 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 with respect to share capital ranking after the Series N preference shares, the redemption, purchase or other acquisition of our shares by us, or (d) except with respect to share capital ranking after Series N preference shares, the setting aside of sums, or the establishment of sinking funds, for any such redemption, purchase or other acquisition by us.

### ***Dividends on the Series N preference shares are non-cumulative and will not be declared and paid in full if certain requirements relating to the Group's capital levels and other conditions are not satisfied. If our financial condition were to deteriorate, you could lose all or a part of your investment.***

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

If our 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 N preference shares because it is not required to do so, then holders



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of such preference shares or Series N ADSs 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 Series N preference shares are declared for any future dividend period. Holders of Series N preference shares or Series N ADSs will have no right to participate in our profits.

If our financial condition were to deteriorate, you might not receive dividends on the Series N preference shares. If we liquidate, dissolve or wind up, you could lose all or part of your investment.

***An active market for the Series N ADSs may fail to develop or may not be sustainable.***

Prior to the offering, there has been no trading market for this series of preference shares. We cannot assure you that an active or liquid market will develop or be sustainable for the Series N ADSs or Series N preference shares.



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The following table shows the Group's authorized, issued and fully paid share capital, shareholders' funds and indebtedness on an unaudited consolidated basis in accordance with UK GAAP as at December 31, 2004.

	<b>As at December 31, 2004</b>
	<b>£m</b>
<b>Share capital authorized</b>	
Ordinary shares - shares of £0.25 each	1,020
Non-voting deferred shares - shares of £0.01 each	323
Additional value shares - shares of £0.01 each	27
Preference shares(2)	528
	<hr/>
	1,898
	<hr/>
<b>Share capital allotted, called up and fully paid</b>	
Ordinary shares	793
Non-voting deferred shares	27
Preference shares(3)	2
	<hr/>
	822
<b>Retained income and other reserves</b>	31,043
	<hr/>
<b>Total shareholders' funds</b>	31,865
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<b>Group indebtedness</b>	
Dated loan capital	11,013
Undated loan capital	9,353
	<hr/>
	20,366
Debt securities in issue	58,960
	<hr/>
<b>Total indebtedness</b>	79,326
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<b>Total capitalization and indebtedness</b>	111,191
	<hr/>

## Notes:

- (1) The figures set out in the above table were extracted from our audited financial statements for the year ended December 31, 2004, which were prepared in accordance with generally accepted accounting principles in the United Kingdom. We will prepare our financial statements for periods subsequent to December, 31 2004 in accordance with International Financial Reporting Standards.
- (2) The authorized preference share capital of the Group as at December 31, 2004 was £528 million, consisting of 348.5 million non-cumulative preference shares of \$0.01 each, 3.9 million non-cumulative convertible preference shares of \$0.01 each, 66 million non-cumulative preference shares of £0.01 each, 3.0 million non-cumulative convertible preference shares of £0.01 each, 900 million non-cumulative convertible preference shares of £0.25 each, 1.0 million non-cumulative convertible preference shares of £0.01 each, 0.9 million cumulative preference shares of £1 each and 300 million non-cumulative preference shares of £1 each.

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- (3) The allotted, called up and fully paid preference share capital of the Group as at December 31, 2004 was £2 million, consisting of 82 million non-cumulative preference shares of \$0.01 each, 1.9 million non-cumulative convertible preference shares of \$0.01 each, 0.75 million non-cumulative convertible preference shares of 0.01 each, 0.2 million non-cumulative convertible preference shares of £0.01 each and 0.9 million cumulative preference shares of £1 each.

As at December 31, 2004, the Group had total liabilities, including shareholders funds, of £583 billion, including deposits by banks of £99 billion and customer accounts of £285 billion.

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All of the indebtedness described above or below is unsecured. None of the indebtedness described above or below is guaranteed.

On March 31, 2005, the Group redeemed the 0.5 million Series 2 non-cumulative convertible preference shares of US\$0.01, at a redemption price of US\$1,000 per share, and 0.75 million Series 1 non-cumulative convertible preference shares of 0.01, at a redemption price of 1,000 per share.

On March 29, 2005, the Group issued C\$700 million fixed/floating dated subordinated notes.

As at March 31, 2005, the Group had debt securities in issue totalling £69,650 million.

As at December 31, 2004, the Group had contingent liabilities including guarantees arising in the normal course of business totaling £16,093 million, consisting of acceptances and endorsements of £362 million, guarantees and assets pledged as collateral security of £10,438 million and other contingent liabilities of £5,293 million.

Save as disclosed above, there has been no significant change in the contingent liabilities (including guarantees), total capitalization and indebtedness of the Group since December 31, 2004.

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**CERTAIN TERMS OF THE SERIES N PREFERENCE SHARES**

*The following summary of certain terms and provisions of the Series N 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 N 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 N preference shares. We will file a copy of these resolutions under the cover of a Report on Form 6-K with the Securities and Exchange Commission at the time of the sale of the Series N ADSs representing the Series N 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 N preference shares constitute a separate series of our Category II non-cumulative dollar preference shares. The Series N 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 depository under the ADR deposit agreement. A summary of certain terms and provisions of the ADR deposit agreement pursuant to which ADRs evidencing the Series N 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 N preference shares as to any distribution of our surplus assets in the event that we are wound up or liquidated, have a US dollar-equivalent aggregate liquidation preference of approximately US\$7.2 billion.

**Dividends**

Non-cumulative preferential dividends on the Series N preference shares will accrue from the date of issue of the Series N preference shares. 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 June 30, 2005. We will pay dividends on the Series N preference shares when, 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 N preference shares out of our distributable profits in US dollars, at the rate of US\$ \_\_\_\_\_ per Series N preference share annually. Dividends on the Series N 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 of the UK 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 the Series N preference shares and dividends on any of our other shares stated to be payable on the same date as the dividends on the Series N preference shares and ranking equally as to dividends with the Series N preference shares (including the payment in full of any arrears of dividends on any equally ranking cumulative preference shares then in issue). The UK Companies Act 1985 defines "distributable profits"

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as, in general terms, and subject to adjustment, accumulated realized profits less accumulated realized losses.

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 (other than the cumulative preference shares) 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 on a *pro rata* basis so that (subject as aforesaid) the amount of dividends declared per share on the Series N preference shares and the dividends stated to be payable on such date on any other non-cumulative preference shares and any other share capital (other than the cumulative preference shares) expressed to rank *pari passu* therewith will bear to each other the same ratio that accrued dividends per share on the Series N preference shares and other non-cumulative preference shares and any other share capital (other than the cumulative preference shares) bear to each other.

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

To the extent that any dividend on the Series N preference shares is, on any occasion, not declared and paid by reason of the exercise of the directors' discretion referred to in sub-clause (i) of the second paragraph of this section, holders of Series N preference shares or Series N 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 N preference shares as a result of the 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 N 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 N 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 N preference shares as to dividends until such time as the dividend stated to be payable on the Series N preference shares in respect of a dividend period has thereafter been declared and paid in full.

The Series N preference shares shall not be treated as ranking 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 directors' discretion referred to in sub-clause (i) of the second paragraph of this section, or any dividend on the Series N 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 N 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

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the Series N preference shares to provide for the payment in full of the dividend on the Series N preference shares on the next dividend payment date. If any quarterly dividend payable on the Series N 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 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 N preference shares in respect of successive dividend periods together aggregating no less than 12 months shall thereafter have been declared and paid in full.

In addition, if the dividend stated to be payable on any of our other non-cumulative preference shares shall not have been declared and paid in full, or if a sum has not been set aside 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, then:

we may not declare or pay any dividends on the Series N 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 on such other series of non-cumulative dollar preference shares or other non-cumulative preference shares for the then-current dividend period to provide for the payment in full of such dividend on the next applicable dividend payment date; and

we may not redeem, repurchase or otherwise acquire any Series N preference shares, and we may not set aside any sum nor establish any sinking fund therefor, until such time as we have declared and paid in full dividends on such other series of non-cumulative dollar preference shares or such other non-cumulative preference shares in respect of successive dividend periods together aggregating no less than 12 months.

Dividends on the Series N 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 N preference shares, then holders of Series N preference shares or Series N 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 N preference shares are declared for any future dividend period. The holders of the Series N 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 N preference shares will be entitled to receive in US 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 N preference shares as regards participation in our surplus assets, a distribution of US\$25.00 per Series N preference 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 Series N preference shares. See Description of Dollar Preference Shares Liquidation Rights in the accompanying prospectus. If the holders of the Series N preference shares are entitled to any recovery with respect to the Series N preference shares in any winding-up or liquidation, they might not be entitled in such proceedings to a recovery in US dollars and might be entitled only to a recovery in pounds sterling.

## **Optional Redemption**

We may redeem the Series N preference shares, at our option, in whole or in part from time to time, on any business day that falls on or after June 30, 2010 upon not less than 30 nor more than 60 days notice, at a redemption price of US\$25.00 per Series N preference share plus the dividends otherwise payable for the then-current dividend period accrued to the redemption date.

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Under existing UK Financial Services Authority requirements, we may not redeem or purchase any Series N preference shares unless the UK Financial Services Authority consents in advance. The UK Financial Services Authority may impose conditions on any redemption or purchase at the time it gives its consent.

See [Certain US Federal and UK Tax Consequences – Taxation of Dividends](#) for a discussion of the tax consequences to a US holder of the receipt of amounts equal to accrued dividends in conjunction with any redemption of any Series N preference shares and [Certain US Federal and UK Tax Consequences – Taxation of Capital Gains](#) for a discussion of the tax consequences to a US 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 US federal securities laws), we may, at any time or from time to time, purchase outstanding Series N preference shares by tender or by private agreement, in each case upon the terms and conditions that the board of directors shall determine. Any Series N 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.

## **Voting Rights**

The holders of the Series N 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 N preference shares or proposing that we be wound up, the holders of the outstanding Series N 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 N preference shares for the three most recent consecutive quarterly dividend periods, the holders of the Series N 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 N preference shares shall continue until we have resumed the payment in full of dividends on the Series N 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 N preference shares present in person shall have one vote and on a poll each holder of Series N preference shares present in person or by proxy will be entitled to one vote for each Series N 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 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 N 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 N 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](#) .

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**CERTAIN US FEDERAL AND UK TAX CONSEQUENCES**

*The following summarizes certain US federal and UK tax consequences of the acquisition, ownership and disposition of Series N preference shares or Series N ADSs by a beneficial owner of Series N preference shares or Series N ADSs evidenced by ADRs that is a citizen or resident of the US, or that otherwise will be subject to US federal income tax on a net income basis in respect of the Series N preference shares or Series N ADSs, that owns such Series N preference shares or Series N ADSs evidenced by ADRs as capital assets (a US Holder ) and that purchases such Series N preference shares or Series N 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 N preference shares or Series N ADSs, (i) in the opinion of Davis Polk & Wardwell, this discussion summarizes the material US federal tax consequences to the US Holders described herein of owning Series N preference shares or Series N ADSs represented by ADRs and (ii) in the opinion of Linklaters, this discussion summarizes the material UK tax consequences to the US Holders of owning the Series N preference shares or Series N ADSs represented by ADRs.*

The summary does not address the tax consequences to a US Holder (i) that is resident (or, in the case of an individual, ordinarily resident) in the UK for UK tax purposes or, generally, (ii) that is a corporation which alone or together with one or more associates, controls, directly or indirectly, 10% or more of our voting stock.

The statements regarding US and UK tax laws and practices set forth below, including the statements regarding the US/ UK double taxation convention relating to income and capital gains (the Treaty ) and the US/ UK 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. This summary is not exhaustive of all possible tax considerations that may be relevant in the particular circumstances of each US Holder. We advise you to satisfy yourself as to the tax consequences, including the consequences under US federal, state and local laws, of the acquisition, ownership and disposition of Series N preference shares or Series N ADSs by consulting your own tax advisors.

For purposes of the Treaty and the Estate Tax Treaty and for purposes of the US Internal Revenue Code of 1986, as amended, US Holders of ADRs will be treated as owners of the Series N preference shares underlying their Series N 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 a redemption or winding up. Because payments of dividends by us to non-UK investors are not subject to UK 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 N preference shares or Series N ADSs will be dividends for US federal income tax purposes to the extent paid out of our current or accumulated earnings and profits, as determined for US federal income tax purposes. 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 non-corporate US Holders in taxable years beginning before January 1, 2009 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 US 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



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issuer constitute qualified dividend income. As of the date of this prospectus supplement, such rules have not been promulgated.

For US foreign tax credit purposes, dividends we distribute will constitute non US-source passive income or, in the case of certain US Holders, financial services income. Special rules apply in determining the amount of qualified dividend income taken into account for US foreign tax credit limitation purposes.

### **Taxation of Capital Gains**

A US Holder that is not resident (or, in the case of an individual, ordinarily resident) in the UK will not normally be liable for UK taxation on capital gains realized on the disposal (including redemption) of such Holder's Series N preference share or Series N ADS unless, at the time of the disposal, in the case of a corporate US Holder, such US Holder carries on a trade in the UK through a permanent establishment or, in the case of any other US Holder, such US Holder carries on a trade (which for this purpose includes a profession or vocation) in the UK through a branch or agency and the Series N preference share or Series N ADS is, or has been, used, held or acquired for the purposes of this trade, permanent establishment or branch or agency. Special rules apply to individuals who are temporarily not resident or ordinarily resident in the UK.

A US Holder will, upon the sale, exchange or redemption of a Series N preference share or Series N ADS recognize capital gain or loss for US federal income tax purposes (assuming, in the case of a redemption, that the US 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 US federal income tax purposes) and the US Holder's tax basis in the Series N preference share or Series N ADS. Gain or loss will generally be US source.

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

You should consult your tax advisors regarding the US 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).

### **Estate and Gift Tax**

Subject to the discussion of the Estate Tax Treaty in the next paragraph, Series N preference shares or Series N ADSs beneficially owned by an individual may be subject to UK inheritance tax (subject to exemptions and reliefs) on the death of the individual or, in certain circumstances, if the Series N preference shares or Series N 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 or to certain types of trusts made more than seven years before the death of the donor.) Series N preference shares or Series N ADSs held by the trustees of a settlement will also be subject to UK inheritance tax. Special rules apply to such settlements.

A Series N preference share or Series N ADS beneficially owned by an individual whose domicile is determined to be the US for purposes of the Estate Tax Treaty, and who is not a national of the UK at the relevant time, will not be subject to UK inheritance tax on the individual's death or on a lifetime transfer of the Series N preference share or Series N ADS except where the Series N preference share or Series N ADS (i) is comprised in a settlement (unless, at the time of the settlement, the settlor was domiciled in the US and was not a national of the UK); (ii) is part of the business property of a UK permanent establishment of an enterprise; or (iii) pertains to a UK 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 N preference share or Series N ADS is subject both to UK inheritance tax and to US federal estate or gift tax.

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**Stamp Duty and Stamp Duty Reserve Tax**

Based on our current understanding of UK Inland Revenue practice, we expect that no UK stamp duty or stamp duty reserve tax (SDRT) will be payable on the delivery of Series N preference shares in bearer form to the custodian or the ADR depository. However, if this understanding proves to be incorrect, we will pay or procure payment of any such UK stamp duty or SDRT which becomes payable on the delivery of the Series N preference shares in bearer form to the custodian or the ADR depository.

UK 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 N preference shares in registered form on any instrument pursuant to which Series N 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 depository receipts. This would include transfers to the custodian for deposit under the ADR deposit agreement. UK SDRT, at the same rate, could also be payable in these circumstances but no SDRT will be payable if stamp duty is paid. In accordance with the terms of the ADR deposit agreement, any tax or duty payable by the ADR depository or the custodian on any of these transfers of Series N preference shares in registered form will be charged by the ADR depository to the party to whom ADRs are delivered against such transfers.

A transfer of a registered ADR executed and retained in the US will not give rise to UK stamp duty and an agreement to transfer a registered ADR will not give rise to SDRT.

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

No UK stamp duty or SDRT is payable on the transfer by delivery of Series N 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.

**Table of Contents****UNDERWRITING**

Under the terms and subject to the conditions of the underwriting agreement, and the pricing agreement, each dated May , 2005, each underwriter named below has severally agreed to purchase from The Royal Bank of Scotland Group plc and The Royal Bank of Scotland Group plc has agreed to sell to such underwriter, the number of Series N preference shares in the form of Series N ADSs set forth opposite the name of such underwriter below.

Underwriter	Number of Series N ADSs
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Citigroup Global Markets Inc.	
Greenwich Capital Markets, Inc.	
Morgan Stanley & Co. Incorporated	
UBS Securities LLC	
Wachovia Capital Markets, LLC	
	—
Total	—

The underwriting agreement provides that the obligations of the underwriters to purchase the Series N 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 N ADSs offered hereby, if any such Series N ADSs are purchased.

The Series N preference shares represented by Series N ADSs are offered for sale only in jurisdictions where it is legal to make such offers.

We will pay certain expenses in connection with the offering, including up to US\$25,000 to be paid to the underwriters as partial reimbursement of their expenses.

Each underwriter has represented and agreed that:

it has not offered or sold and, prior to the expiry of a period of six months from the issue date of the Series N preference shares and Series N ADSs, will not offer or sell any Series N preference shares and Series N ADSs to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended);

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 ( FSMA )) received by it in connection with the issue or sale of any Series N preference shares and Series N ADSs in circumstances in which section 21(1) of the FSMA would not apply to us, if we were not an authorized person; 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 N preference shares and Series N ADSs in, from or otherwise involving the United Kingdom.

The Series N ADSs will settle through the facilities of The Depository Trust Company, including its participants Clearstream Banking S.A., Luxembourg and Euroclear Bank S.A./N.V. The CUSIP number for the Series N ADSs is                      and the ISIN is                      .

The underwriters have advised us that they propose initially to offer the Series N 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 US\$                      per Series N ADS. The underwriters may allow, and such dealers may reallow, a discount not in excess of US\$                      per Series N ADS on sales to certain other dealers. After the initial public offering, the public offering price, concession and discount may be changed.



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

	<u>Paid by us</u>
Per Series N ADS	\$
Total	\$

During and after the offering, the underwriters may purchase and sell the Series N 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 brokerdealers in respect of the Series N ADSs sold in the offering for their account may be reclaimed by the syndicate if such Series N 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 N ADSs. They may also cause the price of the Series N 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 have applied for the listing of the Series N preference shares and the Series N ADSs on the New York Stock Exchange. Trading of the Series N ADSs on the New York Stock Exchange is expected to commence within approximately 30 days after the delivery of the Series N ADSs. Prior to this offering, there has been no market for the Series N preference shares or the Series N ADSs. We can give you no assurance about the liquidity of the trading market for the Series N preference shares or the Series N 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.

In the underwriting agreement, we have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, 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. (the NASD ) 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 co-manager in this offering. Maximum underwriting compensation for any offering 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 NASD Corporate Financing 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 the issuer is or becomes an affiliate or associated person of an NASD member participating in the distribution. All NASD 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 N preference shares as represented by 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 fifth New York business day following the date of pricing of the Series N preference shares (such settlement cycle being referred to as T+5 ). Under Rule 15c6-1 of the Exchange Act, 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 N preference shares prior to the third New York business day before the delivery of the Series N preference shares will be required, by virtue of the fact that the Series N preference shares initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Series N preference shares who wish to make such trades should consult their own advisors.

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**LEGAL OPINIONS**

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

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**PROSPECTUS**

**THE ROYAL BANK OF SCOTLAND GROUP plc**

By this prospectus we may offer

**DEBT SECURITIES**

**DOLLAR PREFERENCE SHARES**

up to an aggregate initial offering price of \$10,000,000,000  
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 April 25, 2005.

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**ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement that we filed with the US 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 \$10,000,000,000 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 Securities and Exchange Commission. 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 and our refer to The Royal Bank of Scotland Group plc, the term Group or RBSG means 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 capitalisation of £55.6 billion at the end of 2004. Headquartered in Edinburgh, the Group operates in the UK, US and internationally through its two principal subsidiaries, The Royal Bank of Scotland plc and National Westminster Bank Plc. Both the Royal Bank and NatWest are major UK clearing banks whose origins go back over 275 years. The Group has a large and diversified customer base and provides a wide range of products and services to personal, commercial and large corporate and institutional customers. Our registered office is 36 St Andrew Square, Edinburgh EH2 2YB, Scotland and our principal place of business is 42 St Andrew Square, Edinburgh EH2 2YE, Scotland, telephone +44 131 556 8555.

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**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, toge*