

ROYAL BANK OF SCOTLAND GROUP PLC
Form 424B5
May 11, 2017

Calculation of Registration Fee

Title of Each Class of Securities Offered	Maximum Aggregate Offering Price	Amount of Registration Fee⁽¹⁾
\$1,500,000,000 3.498% Fixed/Floating Rate Notes	\$1,500,000,000	\$173,850
\$1,500,000,000 Floating Rate Notes	\$1,500,000,000	\$173,850
Total	\$3,000,000,000	\$347,700

(1) Calculated in accordance with Rule 457(r) of the Securities Act of 1933, as amended.

Filed pursuant to Rule 424(b)(5)

Registration No. 333-203157

PROSPECTUS SUPPLEMENT

(to prospectus dated March 31, 2015)

The Royal Bank of Scotland Group plc

\$1,500,000,000 3.498% Fixed Rate/Floating Rate Notes due 2023

\$1,500,000,000 Floating Rate Notes due 2023

The 3.498% Fixed Rate/Floating Rate Notes due 2023 (the "Fixed/Floating Rate Notes") will bear interest at a rate of 3.498% per annum from (and including) the date of issuance to (but excluding) May 15, 2022, paid semi-annually in arrear on May 15 and November 15 of each year, beginning on November 15, 2017, to (and including) May 15, 2022. From May 15, 2022, to maturity, interest will be paid quarterly in arrear on August 15, 2022, November 15, 2022, February 15, 2023 and May 15, 2023, beginning on August 15, 2022, to (and including) maturity, at a floating rate equal to the three-month U.S. dollar London interbank offered rate, plus 1.480% per annum accruing from May 15, 2022, to (but excluding) maturity. The Fixed/Floating Rate Notes will mature on May 15, 2023.

The Floating Rate Notes due 2023 (the “Floating Rate Notes” and, together with the Fixed/Floating Rate Notes, the “Senior Notes”) will bear interest at a floating rate equal to the three-month U.S. dollar London interbank offered rate, plus 1.470% per annum, accruing from (and including) the date of issuance to (but excluding) maturity, paid quarterly in arrear on February 15, May 15, August 15 and November 15 of each year, beginning on August 15, 2017 and ending on maturity. The Floating Rate Notes will mature on May 15, 2023.

The Senior Notes of each series will constitute our direct, unconditional, unsecured and unsubordinated obligations, ranking *pari passu* without any preference among themselves, and equally with all our other outstanding unsecured and unsubordinated obligations, present and future, except such obligations as are preferred by operation of law.

We may redeem the Senior Notes of any series at our sole discretion, in whole but not in part on the respective Optional Redemption Date (as defined herein) for each series at 100% of their principal amount plus accrued but unpaid interest to, but excluding, the date of redemption. In addition, we may redeem the Senior Notes of any series, in whole but not in part, at 100% of their principal amount plus accrued but unpaid interest to, but excluding, the date of redemption, upon the occurrence of certain tax or regulatory events as described in this prospectus supplement and the accompanying prospectus. Any redemption or repurchase of the Senior Notes of any series is subject to the provisions described under “*Description of the Senior Notes—Conditions to Redemption and Repurchase*”.

Notwithstanding any other agreements, arrangements, or understandings between us and any holder or beneficial owner of the Senior Notes, by its acquisition of Senior Notes, each holder and beneficial owner of the Senior Notes acknowledges, accepts, agrees to be bound by and consents to the exercise of any UK bail-in power by the relevant UK resolution authority which may result in (i) the reduction or cancellation of all, or a portion, of the principal amount of, or interest on, the Senior Notes; (ii) the conversion of all, or a portion, of the principal amount of, or interest on, the Senior Notes into ordinary shares or other securities or other obligations of RBSG (as defined herein) or another person and/or (iii) the amendment or alteration of the maturity of the Senior Notes, or amendment of the amount of interest due on the Senior Notes, or the dates on which interest becomes payable, including by suspending payment for a temporary period; which UK bail-in power may be exercised by means of variation of the terms of the Senior Notes solely to give effect to the exercise by the relevant UK resolution authority of such UK bail-in power. Each holder and beneficial owner of the Senior Notes further acknowledges and agrees that the rights of the holders and/or beneficial owners under the Senior Notes are subject to, and will be varied, if necessary, solely to give effect to, the exercise of any UK bail-in power by the relevant UK resolution authority.

By its acquisition of Senior Notes, each holder (including each beneficial holder) of the Senior Notes, to the extent permitted by the Trust Indenture Act of 1939 as amended (the “Trust Indenture Act”), waives any and all claims against the Trustee for, agrees not to initiate a suit against the Trustee in respect of, and agrees that the Trustee shall not be liable for, any action that the Trustee takes, or abstains from taking, in either case in accordance with the exercise of the UK bail-in power by the relevant UK resolution authority with respect to the Senior Notes.

We intend to apply to list each series of the Senior Notes on the New York Stock Exchange in accordance with its rules.

Investing in the Senior Notes involves risks. See “Risk Factors” beginning on page S-9 and as incorporated by reference herein.

By its acquisition of Senior Notes, each holder (including each beneficial holder) shall be deemed to have (i) consented to the exercise of any UK bail-in power which may be imposed without any prior notice by the relevant UK resolution authority of its decision to exercise such power with respect to the Senior Notes and (ii) authorised, directed and requested The Depository Trust Company (“DTC”) and any direct participant in DTC or other intermediary through which it holds such Senior Notes to take any and all necessary action, if required, to implement the exercise of any UK bail-in power with respect to the Senior Notes as it may be imposed, without any further action or direction on the part of such holder.

Neither the U.S. Securities and Exchange Commission (the “SEC”) nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or

the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Price to Public		Underwriting Discount		Proceeds to us (before expenses)	
Per Fixed/Floating Rate Note	100.00	%	0.350	%	99.650	%
Total for Fixed/Floating Rate Notes	\$1,500,000,000		\$5,250,000		\$1,494,750,000	
Per Floating Rate Note	100.00	%	0.350	%	99.650	%
Total for Floating Rate Notes	\$1,500,000,000		\$5,250,000		\$1,494,750,000	
Total	\$3,000,000,000		\$10,500,000		\$2,989,500,000	

The initial prices to the public set forth above do not include accrued interest, if any. Interest on the Senior Notes will accrue from May 15, 2017 and must be paid by the purchaser if the Senior Notes are delivered thereafter.

The Senior Notes will be issued in registered form in denominations of \$200,000 and integral multiples of \$1,000 in excess thereof. We expect that the Senior Notes will be ready for delivery through the book-entry facilities of DTC and its participants on or about May 15, 2017.

Joint Bookrunners and Joint Lead Managers

Credit Suisse Morgan Stanley NatWest Markets UBS Investment Bank

Co-Managers

CIBC Capital Markets Swedbank

Prospectus Supplement dated May 10, 2017

table of contents

Page

Prospectus Supplement

ABOUT THIS PROSPECTUS SUPPLEMENT	S-ii
INCORPORATION OF INFORMATION BY REFERENCE	S-ii
FORWARD-LOOKING STATEMENTS	S-iv
SUMMARY	S-1
RISK FACTORS	S-9
RECENT DEVELOPMENTS	S-19
USE OF PROCEEDS	S-20
CAPITALIZATION OF THE GROUP	S-21
RATIO OF EARNINGS TO FIXED CHARGES	S-22
DESCRIPTION OF THE SENIOR NOTES	S-23
UK AND U.S. FEDERAL TAX CONSEQUENCES	S-33
UNDERWRITING/CONFLICTS OF INTEREST	S-37
LEGAL OPINIONS	S-43
EXPERTS	S-44

Prospectus

About this Prospectus	1
Use of Proceeds	2
The Royal Bank of Scotland Group plc	2
The Royal Bank of Scotland plc	2
Description of Debt Securities	2
Description of Dollar Preference Shares	13
Description of Dollar Preference Share American Depositary Receipts	20

Description of Contingent Convertible Securities	25
Description of Certain Provision Relating to the Debt Securities and Contingent Convertible Securities	32
Description of Ordinary Shares	38
Description of Ordinary Share American Depositary Receipt	45
Plan of Distribution	51
Legal Opinions	52
Experts	53
Enforcement of Civil Liabilities	53
Where You Can Find More Information	53
Incorporation of Documents by Reference	54
Cautionary Statement on Forward-Looking Statements	

We have not authorised anyone to provide any information other than that contained or incorporated by reference in this prospectus supplement and the accompanying prospectus or in any free writing prospectus prepared by us or on our behalf or to which we have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are not making an offer to sell these securities in any state or jurisdiction where the offer or sale is not permitted. You should assume that the information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein is accurate only as of their respective dates.

ABOUT THIS PROSPECTUS SUPPLEMENT

In this prospectus supplement, we use the following terms:

“we”, “us”, “our”, “Issuer” and “RBSG” refer to The Royal Bank of Scotland Group plc;

“Group” refers to RBSG together with its subsidiaries consolidated in accordance with International Financial Reporting Standards;

“RBS plc” refers to The Royal Bank of Scotland plc;

“SEC” refers to the U.S. Securities and Exchange Commission;

“Indenture” refers to the Amended and Restated Indenture dated as of September 13, 2011 (the “Amended and Restated Indenture”), as amended and supplemented in respect of all series of senior debt securities by the First Supplemental Indenture dated as of April 1, 2014 (the “First Supplemental Indenture”) and the Second Supplemental Indenture dated as of April 5, 2016 (the “Second Supplemental Indenture” and, together with the Amended and Restated Indenture and the First Supplemental Indenture, the “Base Indenture”) and as amended and supplemented by one or several supplemental indentures to be dated as of May 15, 2017 (the “Supplemental Indenture”) governing the Senior Notes.

“pound sterling”, “pounds”, “sterling”, “pence”, “£” and “p” refer to the currency of the United Kingdom;

“U.S. dollar”, “dollars” and “\$” refer to the currency of the United States; and

“euro” and “€” refer to the currency of the member states of the European Union (“EU”) that have adopted the single currency in accordance with the treaty establishing the European Community, as amended.

INCORPORATION OF INFORMATION BY REFERENCE

We are subject to the informational requirements of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), and in accordance therewith, we file reports and other information with the SEC. You may read and copy any document that we file with the SEC at the SEC’s Public Reference Room, 100 F Street, N.E., Washington, D.C. 20549. You can call the SEC on 1-800-SEC-0330 for further information about 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. You may also request a copy of any filings referred to below (other than exhibits not specifically incorporated by

reference) at no cost, by contacting us at RBS Gogarburn, P.O. Box 1000, Edinburgh EH12 1HQ, Scotland, telephone +44 131 626 0000.

The SEC allows us to incorporate by reference much of the information we file with them. This means:

- documents incorporated by reference are considered part of this prospectus supplement;
- we can disclose important information to you by referring you to these documents; and

information that we file with the SEC will automatically update and modify or supersede some of the information included or incorporated by reference into this prospectus supplement.

This means that you must look at all of the SEC filings that we incorporate by reference to determine if any of the statements in this prospectus supplement or in any document previously incorporated by reference have been modified or superseded. The accompanying prospectus lists documents that are incorporated by reference into this prospectus supplement. In addition to the documents listed in the accompanying prospectus, we incorporate by reference:

our annual report on Form 20-F for the year ended December 31, 2016, filed with the SEC on March 27, 2017 (File No. 001-10306) (the “2016 Annual Report”); and

our interim report on Form 6-K containing our unaudited condensed consolidated financial statements for the three-months ended and as at March 31, 2017, together with certain other information, filed with the SEC on May 5, 2017 (File No. 001-10306) (the “Q1 2017 Interim Report”).

We also incorporate by reference into this prospectus supplement and accompanying prospectus any future documents we may file with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act from the date of this prospectus supplement until the offering contemplated in this prospectus supplement is completed. Reports on Form 6-K we may furnish to the SEC after the date of this prospectus supplement (or portions thereof) are incorporated by reference in this prospectus supplement only to the extent that the report expressly states that it (or such portions) is incorporated by reference in this prospectus supplement.

S- iii

FORWARD-LOOKING STATEMENTS

From time to time, we may make statements, both written and oral, 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 sections entitled “*Risk Factors*” in this prospectus supplement and in our 2016 Annual Report which is incorporated by reference herein, “*Cautionary Statement on Forward-Looking Statements*” in the accompanying prospectus and “*Forward-Looking Statements*” in our 2016 Annual Report which is incorporated by reference herein.

Any forward-looking statements made herein or in the documents incorporated by reference herein speak only as of the date they are made. Except as required by the Financial Conduct Authority (the “FCA”), any applicable stock exchange or any applicable law, we expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in this prospectus supplement or the documents incorporated by reference herein to reflect any changes in expectations with regard thereto or any new information or any changes in events, conditions or circumstances on which any such statement is based. The reader should, however, consult any additional disclosures that we have made or may make in documents we have filed or may file with the SEC.

SUMMARY

The following is a summary of this prospectus supplement and should be read as an introduction to, and in conjunction with, the remainder of this prospectus supplement, the accompanying prospectus and any documents incorporated by reference herein and therein. You should base your investment decision on a consideration of this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein, as a whole. Words and expressions defined in “Description of the Senior Notes” below shall have the same meanings in this summary.

General

Issuer The Royal Bank of Scotland Group plc.

\$1,500,000,000 aggregate principal amount of 3.498% Fixed Rate/Floating Rate Notes due 2023 (the “Fixed/Floating Rate Notes”).

Senior Notes

\$1,500,000,000 aggregate principal amount of Floating Rate Notes due 2023 (the “Floating Rate Notes”).

In this prospectus supplement, we refer to the Fixed/Floating Rate Notes and the Floating Rate Notes collectively as the “Senior Notes” and refer to each of the Fixed/Floating Rate Notes and the Floating Rate Notes as a “series” of Senior Notes.

Issue Date May 15, 2017.

TERMS SPECIFIC TO THE FIXED/FLOATING RATE NOTES

Maturity We will pay the Fixed/Floating Rate Notes at 100% of their principal amount plus accrued and unpaid interest on May 15, 2023.

Interest Rate From (and including) the Issue Date to (but excluding) May 15, 2022 (such period, the “Fixed/Floating Rate Notes Fixed Rate Period”), interest on the Fixed/Floating Rate Notes will be payable at a rate of 3.498% per annum.

From (and including) May 15, 2022 to (but excluding) maturity (such period, the “Fixed/Floating Rate Notes Floating Rate Period”), the interest rate on the Fixed/Floating Rate Notes will be equal to the three-month U.S. dollar London interbank offered rate (“LIBOR”), as determined by the Calculation Agent

on the applicable Fixed/Floating Rate Notes Interest Determination Date (as defined below), plus 1.480% per annum (the “Fixed/Floating Rate Notes Floating Interest Rate”), accruing from May 15, 2022, to (but excluding) maturity. During the Fixed/Floating Rate Notes Floating Rate Period, the interest rate applicable to the Fixed/Floating Rate Notes will be reset quarterly on each Fixed/Floating Rate Notes Interest Reset Date (as defined below).

During the Fixed/Floating Rate Notes Fixed Rate Period, interest on the Fixed/Floating Rate Notes will be payable semi-annually in arrear on May 15 and November 15 of each year, beginning on November 15, 2017 (each, a “Fixed/Floating Rate Notes Fixed Rate Period Interest Payment Date”), to (and including) May 15, 2022.

**Interest
Payment
Dates**

During the Fixed/Floating Rate Notes Floating Rate Period, interest on the Fixed/Floating Rate Notes will be payable quarterly in arrear on August 15, 2022, November 15, 2022, February 15, 2023 and May 15, 2023, beginning on August 15, 2022, to (and including) maturity (each, a “Fixed/Floating Rate Notes Floating Rate Period Interest Payment Date” and, together with each Fixed/Floating Rate Notes Fixed Rate Period Interest Payment Date, each a “Fixed/Floating Rate Notes Interest Payment Date”).

Interest Reset Dates	In relation to the Fixed/Floating Rate Notes, May 15, 2022, August 15, 2022, November 15, 2022 and February 15, 2023, beginning on May 15, 2022 (each, a “Fixed/Floating Rate Notes Interest Reset Date”).
Floating Rate Interest Periods	<p>During the Fixed/Floating Rate Notes Floating Rate Period, the period beginning on (and including) a Fixed/Floating Rate Notes Floating Rate Period Interest Payment Date and ending on (but excluding) the next succeeding Fixed/Floating Rate Notes Floating Rate Period Interest Payment Date <i>provided</i> that the first floating rate interest period will begin on May 15, 2022 and will end on (but exclude) the first Fixed/Floating Rate Notes Floating Rate Period Interest Payment Date.</p> <p>The second London banking day preceding each applicable Fixed/Floating Rate Notes Interest Reset Date (the “Fixed/Floating Rate Notes Interest Determination Date”).</p>
Interest Determination Date	“London banking day” means any day on which dealings in U.S. dollars are transacted in the London interbank market.
Regular Record Dates	The regular record dates for the Fixed/Floating Rate Notes will be the 15th calendar day preceding each Fixed/Floating Rate Notes Interest Payment Date, whether or not a business day.

TERMS SPECIFIC TO THE FLOATING RATE NOTES

Maturity	We will pay the Floating Rate Notes at 100% of their principal amount plus accrued and unpaid interest on May 15, 2023.
Interest Rate	<p>From (and including) the Issue Date to (but excluding) maturity, the interest rate on the Floating Rate Notes will be equal to the three-month U.S. dollar LIBOR, as determined by the Calculation Agent on the applicable Floating Rate Notes Interest Determination Date (as defined below), plus 1.470% per annum, accruing from May 15, 2017, to (but excluding) maturity (the “Floating Rate Notes Interest Rate”). The interest rate applicable to the Floating Rate Notes will be reset quarterly on each Floating Rate Notes Interest Reset Date (as defined below).</p>
Interest Payment Dates	Interest on the Floating Rate Notes will be payable quarterly in arrear on February 15, May 15, August 15 and November 15 of each year, beginning on August 15, 2017, and ending on maturity (each, a “Floating Rate Notes Interest Payment Date” and, together with each Fixed/Floating Rate Notes Interest Payment Date, each an “Interest Payment Date”).
Interest Reset Dates	In relation to the Floating Rate Notes, February 15, May 15, August 15 and November 15 of each year, beginning on May 15, 2017 (each, a “Floating Rate Notes Interest Reset Date”).
Floating Rate Interest Periods	The period beginning on (and including) a Floating Rate Notes Interest Payment Date and ending on (but excluding) the next succeeding Floating Rate Notes Interest Payment Date <i>provided</i> that the first floating rate interest period will begin on the Issue Date and will end on (but exclude) the first

Floating Rate Notes Interest Payment Date.

The second London banking day preceding each applicable Floating Rate Notes Interest Reset Date (the "Floating Rate Notes Interest Determination Date").

**Interest
Determination
Date**

"London banking day" means any day on which dealings in U.S. dollars are transacted in the London interbank market.

S-2

**Regular
Record
Dates**

The regular record dates for the Floating Rate Notes will be the 15th calendar day preceding each Floating Rate Notes Interest Payment Date, whether or not a business day.

TERMS APPLICABLE TO BOTH THE FIXED/FLOATING RATE NOTES AND THE FLOATING RATE NOTES

LIBOR will be determined by the Calculation Agent in accordance with the following provisions:

(1) With respect to any Interest Determination Date, LIBOR will be the rate (expressed as a percentage per annum) for deposits in U.S. dollars having a maturity of three months commencing on the related Interest Reset Date that appears on Reuters Page LIBOR01 as of 11:00 a.m., London time, on that Interest Determination Date. If no such rate appears, then LIBOR, in respect of that Interest Determination Date, will be determined in accordance with the provisions described in (2) below.

(2) With respect to an Interest Determination Date on which no rate appears on Reuters Page LIBOR01 (as defined below), the Calculation Agent will request the principal London offices of each of four major reference banks in the London interbank market (which may include the Underwriters or their affiliates), as selected and identified by us, to provide its offered quotation (expressed as a percentage per annum) for deposits in U.S. dollars for the period of three months, commencing on the related Interest Reset Date, to prime banks in the London interbank market at approximately 11:00 a.m., London time, on that Interest Determination Date and in a principal amount that is representative for a single transaction in U.S. dollars in that market at that time. If at least two quotations are provided, then LIBOR on that Interest Determination Date will be the arithmetic mean of those quotations. If fewer than two quotations are provided, then LIBOR on the Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 a.m., in the City of New York, on the Interest Determination Date by three major banks in the City of New York (which may include the Underwriters or their affiliates), as selected and identified by us, for loans in U.S. dollars to leading European banks, for a period of three months, commencing on the related Interest Reset Date, and in a principal amount that is representative for a single transaction in U.S. dollars in that market at that time. If at least two such rates are so provided, LIBOR on the Interest Determination Date will be the arithmetic mean of such rates. If fewer than two such rates are so provided, LIBOR on the Interest Determination Date will be LIBOR in effect with respect to the immediately preceding Interest Determination Date or, in the case of the initial Interest Determination Date, (i) in respect of the Fixed/Floating Rate Notes, such rate as may be determined by such alternate method as reasonably selected by the Calculation Agent and (ii) in respect of the Floating Rate Notes, the first Floating Rate Notes Interest Rate.

**Calculation
of U.S.
Dollar
LIBOR**

“Interest Determination Date” means either a Fixed/Floating Rate Notes Interest Determination Date or a Floating Rate Notes Interest Determination Date, as applicable.

“Interest Reset Date” means either a Fixed/Floating Rate Notes Interest

S-3

Reset Date or a Floating Rate Notes Interest Reset Date, as applicable.

“Reuters Page LIBOR01” means the display that appears on Reuters Page LIBOR01 or any page as may replace such page on such service (or any successor service) for the purpose of displaying LIBOR of major banks for U.S. dollars.

**Noteholder’s
Waiver of
Right to
Set-Off**

By acquiring a Senior Note, each holder (and the Trustee acting on behalf of the holders) will be deemed to have waived to the fullest extent permitted by law any right of set-off, counterclaim or combination of accounts with respect to such Senior Note or the Indenture (or between our obligations under or in respect of any Senior Note and any liability owed by a holder) that they (or the Trustee acting on their behalf) might otherwise have against us, whether before or during our winding-up, liquidation or administration. Notwithstanding the above, if any such rights and claims of any such holder (or the Trustee acting on behalf of such holders) against us are discharged by set-off, such holder (or the Trustee acting on behalf of such holders) will immediately pay an amount equal to the amount of such discharge to us or, in the event of a winding-up, liquidation or administration, our liquidator or administrator (or other relevant insolvency official), as the case may be, to be held on trust for senior creditors, and until such time as payment is made will hold a sum equal to such amount on trust for senior creditors, and accordingly such discharge shall be deemed not to have taken place.

Ranking

The Senior Notes of each series will constitute our direct, unconditional, unsecured and unsubordinated obligations ranking *pari passu* without any preference among themselves, and equally with all our other outstanding unsecured and unsubordinated obligations, present and future, except such obligations as are preferred by operation of law.

**Events of
Default and
Defaults;
Limitation of
Remedies**

Events of Default

An “Event of Default” with respect to the Senior Notes of a series shall only result if:

- a court of competent jurisdiction makes an order for our winding up which is not successfully appealed within 30 days; or

- an effective shareholders’ resolution is validly adopted for our winding up,

in each case other than under or in connection with a scheme of amalgamation or reconstruction not involving a bankruptcy or insolvency.

There are no other Events of Default under the Senior Notes. If an Event of Default with respect to Senior Notes of any series occurs and is continuing, the Trustee or the holder or holders of at least 25% in aggregate principal amount of the outstanding Senior Notes of such series may declare the principal amount of, and any accrued but unpaid interest on such Senior Notes to be due and payable immediately in accordance with the terms of the Indenture. There are no other circumstances in which holders of Senior Notes or the Trustee may accelerate amounts to be paid in respect of the Senior Notes.

Defaults

A “Default” with respect to the Senior Notes of a series shall result if:

- any installment of interest in respect of the Senior Notes of such series is not paid on or before the relevant Interest Payment Date and such failure continues for 14 days; or

- all or any part of the principal amount of the Senior Notes of such series is not paid when it otherwise becomes due and payable, whether upon redemption or otherwise, and such failure continues for 7 days.

If a Default occurs and is continuing, the Trustee may commence a proceeding for our winding up, but the Trustee may not declare the principal amount of any outstanding Senior Notes of any series to be due and payable.

Notwithstanding any contrary provisions, nothing shall impair the right of a holder, absent the holder’s consent, to sue for any payments due but unpaid with respect to the Senior Notes.

The provisions described under “*Description of Debt Securities—Events of Default and Defaults; Limitation of Remedies*” in the accompanying prospectus do not apply to the Senior Notes.

For further details, see “*Description of the Senior Notes—Events of Default and Defaults; Limitation of Remedies*” and “*Risk Factors—The Senior Notes contain very limited Defaults and Events of Default provisions, and the remedies available thereunder are limited*”.

Agreement with Respect to the Exercise of UK Bail-in Notwithstanding any other agreements, arrangements, or understandings between us and any holder or beneficial owner of the Senior Notes, by its acquisition of Senior Notes, each holder and beneficial owner of the Senior Notes acknowledges, accepts, agrees to be bound by and consents to the exercise of any UK bail-in power by the relevant UK resolution authority which may result in (i) the reduction or cancellation of all, or a portion, of the principal amount of, or interest on, the Senior Notes; (ii) the

Power

conversion of all, or a portion, of the principal amount of, or interest on, the Senior Notes into ordinary shares or other securities or other obligations of RBSG or another person; and/or (iii) the amendment or alteration of the maturity of the Senior Notes, or amendment of the amount of interest due on the Senior Notes, or the dates on which interest becomes payable, including by suspending payment for a temporary period; which UK bail-in power may be exercised by means of variation of the terms of the Senior Notes solely to give effect to the exercise by the relevant UK resolution authority of such UK bail-in power. Each holder and beneficial owner of the Senior Notes further acknowledges and agrees that the rights of the holders and/or beneficial owners under the Senior Notes are subject to, and will be varied, if necessary, solely to give effect to, the exercise of any UK bail-in power by the relevant UK resolution authority.

For these purposes, a “UK bail-in power” is any write-down, conversion, transfer, modification or suspension power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, banking group companies, credit institutions and/or investment firms incorporated in the United Kingdom in effect

and applicable in the United Kingdom to RBSG or other members of the Group, including but not limited to any such laws, regulations, rules or requirements which are implemented, adopted or enacted within the context of a European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms and/or within the context of a UK resolution regime under the Banking Act, pursuant to which any obligations of a bank, banking group company, credit institution or investment firm or any of its affiliates can be reduced, cancelled, modified, transferred and/or converted into shares or other securities or obligations of the obligor or any other person (or suspended for a temporary period) or pursuant to which any right in a contract governing such obligations may be deemed to have been exercised. A reference to the “relevant UK resolution authority” is to any authority with the ability to exercise a UK bail-in power. No repayment of the principal amount of the Senior Notes or payment of interest on the Senior Notes shall become due and payable after the exercise of any UK bail-in power by the relevant UK resolution authority unless, at the time that such repayment or payment, respectively, is scheduled to become due, such repayment or payment would be permitted to be made by us under the laws and regulations of the United Kingdom and the European Union applicable to us and the Group.

Repayment of Principal and Payment of Interest After Exercise of UK Bail-in Power

Subject to the provisions described under “*Description of the Senior Notes—Notice of Redemption*” and “*Description of the Senior Notes—Conditions to Redemption and Repurchase*”, we may redeem the Senior Notes of any series at our sole discretion, in whole but not in part, (i) in respect of the Fixed/Floating Rate Notes at any time during the Fixed/Floating Rate Notes Fixed Rate Period and thereafter only on a Fixed/Floating Rate Notes Floating Rate Period Interest Payment Date and (ii) in respect of the Floating Rate Notes, only on a Floating Rate Notes Interest Payment Date, in each case, at 100% of their principal amount plus accrued but unpaid interest to, but excluding, the date of redemption, in the event we determine a Loss Absorption Disqualification Event (as defined in this prospectus) has occurred and is continuing. See “*Description of the Senior Notes Loss—Absorption Disqualification Event Redemption*” and “*Risk Factors—We may redeem the Senior Notes at our option in certain situations, including as a result of certain tax law changes or the occurrence of a Loss Absorption Disqualification Event or on the Optional Redemption Date.*”

Loss Absorption Disqualification Event Redemption

Subject to the provisions described under “*Description of the Senior Notes—Notice of Redemption*” and “*Description of the Senior Notes—Conditions to Redemption and Repurchase*”, in the event of certain tax law changes that require us to pay Additional Amounts (as defined herein) and other limited circumstances as described under “*Description of the Senior Notes—Tax Redemption*” in this prospectus supplement and “*Description of Debt Securities—Redemption*” in the accompanying prospectus, we may redeem the Senior Notes of any series, in whole but not in part, (i) in respect of the Fixed/Floating Rate Notes, at any time during the Fixed/Floating Rate Notes Fixed Rate Period and thereafter only on a Fixed/Floating Rate Notes Floating Rate Period Interest Payment Date and (ii) in respect of the Floating Rate Notes, only on a Floating Rate Notes Interest Payment Date, in each case, at 100% of their principal amount together with any accrued but unpaid interest to,

Tax Redemption

but excluding, the date of redemption. See “*Risk Factors—We may redeem the Senior Notes at our option in certain situations, including as a result of certain tax law changes or the occurrence of a Loss Absorption Disqualification Event or on the Optional Redemption Date.*”

Optional Redemption

Subject to the provisions described under “*Description of the Senior Notes—Notice of Redemption*” and “*Description of the Senior Notes—Conditions to Redemption and Repurchase*”, we may redeem the Senior Notes of any series at our sole discretion, in whole but not in part, on May 15, 2022 (the “Optional Redemption Date”) at 100% of their principal amount plus accrued but unpaid interest to, but excluding, the date of redemption. See “*Risk Factors—We may redeem the Senior Notes at our option in certain situations, including as a result of certain tax law changes or the occurrence of a Loss Absorption Disqualification Event or on the Optional Redemption Date.*”

Conditions to Redemption and Repurchase

Notwithstanding any other provision, we may only redeem the Senior Notes of any series prior to the maturity date or repurchase the Senior Notes of any series (and give notice thereof to the holders of such series of Senior Notes in the case of redemption) if we have obtained the prior consent of the PRA (as defined below), to the extent such consent is at the relevant time and in the relevant circumstances required by the Loss Absorption Regulations or applicable laws or regulations in effect in the United Kingdom, if at all (as defined in “*Description of the Senior Notes*”).

“PRA” means the UK Prudential Regulation Authority and/or such other governmental authority in the United Kingdom having primary supervisory authority with respect to our business.

Book-Entry Issuance, Settlement and Clearance

We will issue the Senior Notes in fully registered form in denominations of \$200,000 and integral multiples of \$1,000 in excess thereof. The Senior Notes will be represented by one or more global securities registered in the name of a nominee of DTC. You will hold beneficial interests in the Senior Notes through DTC and its direct and indirect participants, including Euroclear and Clearstream Luxembourg, and DTC and its direct and indirect participants will record your beneficial interest on their books. We will not issue certificated notes except as described in the accompanying prospectus. Settlement of the Senior Notes will occur through DTC in same day funds. For information on DTC’s book-entry system, see “*Description of Certain Provisions Relating to Debt Securities and Contingent Convertible Securities—Form of Debt Securities; Book-Entry System*” in the accompanying prospectus.

Conflicts of Interest

RBS Securities Inc. (“RBSSI”), an affiliate of RBSG, is a Financial Industry Regulatory Authority (“FINRA”) member and an Underwriter (as defined herein) in this offering and has a “conflict of interest” within the meaning of FINRA Rule 5121. Accordingly, this offering will be made in compliance with the applicable provisions of FINRA Rule 5121. RBSSI is not permitted to sell Senior Notes in this offering to an account over which it exercises discretionary authority without the prior specific written approval of the account holder.

S-7

CUSIP	780097 BE0 for the Fixed/Floating Rate Notes 780097 BF7 for the Floating Rate Notes
ISIN	US780097BE04 for the Fixed/Floating Rate Notes US780097BF78 for the Floating Rate Notes
Listing and Trading	We intend to apply to list each series of the Senior Notes on the New York Stock Exchange in accordance with its rules.
Trustee and Principal Paying Agent	The Bank of New York Mellon, One Canada Square, London E14 5AL, United Kingdom, will act as the trustee and initial principal paying agent for the Senior Notes.
Calculation Agent	The Royal Bank of Scotland plc or its successor appointed by us, pursuant to a calculation agent agreement expected to be entered into on May 15, 2017.
Timing of Delivery	We currently expect delivery of the Senior Notes to occur on May 15, 2017, which will be the third business day following the date of pricing of the Senior Notes (such settlement cycle being referred to as “T+3”).
Use of Proceeds	We intend to use the net proceeds of the offering to fund our general banking business. See “ <i>Use of Proceeds</i> ”.
Governing Law	The Indenture and the Senior Notes are governed by, and construed in accordance with, the laws of the State of New York.

RISK FACTORS

Prospective investors should consider carefully the risk factors incorporated by reference into this prospectus supplement and as set out below as well as the other information set out elsewhere in this prospectus supplement (including any other documents incorporated by reference herein including the 2016 Annual Report and the Q1 2017 Interim Report and the risk factors included therein) and reach their own views prior to making any investment decision with respect to the Senior Notes.

Set out below and incorporated by reference herein are certain risk factors that, if they were to materialise, could have a material adverse effect on the business, operations, financial condition or prospects of RBSG and cause RBSG's future results to be materially different from expected results. RBSG has described only those risks that it considers to be material. There may be additional risks that RBSG currently considers not to be material or of which it is not currently aware, and any of these risks could have the effects set forth above. All of these factors are contingencies which may or may not occur and RBSG is not in a position to express a view on the likelihood of any such contingency occurring. Investors should note that they bear RBSG's solvency risk.

Each of the risks highlighted could have a material adverse effect on the amount of principal and interest which investors will receive in respect of the Senior Notes. In addition, each of the highlighted risks could adversely affect the trading price of the Senior Notes or the rights of investors under the Senior Notes and, as a result, investors could lose some or all of their investment. You should consult your own financial, tax and legal advisers regarding the risks of an investment in the Senior Notes.

Risks relating to RBSG and the Group

For a description of the risks associated with RBSG and the Group, including certain risks associated with investments in RBSG's securities, please refer to the "Risk Factors" section in our 2016 Annual Report, as updated by other information included in our Q1 2017 Interim Report, both of which are incorporated by reference herein.

Risks relating to the Senior Notes

The Senior Notes contain very limited Defaults and Events of Default provisions, and the remedies available thereunder are limited.

The Senior Notes contain very limited Defaults and Events of Default provisions, and the remedies available thereunder are limited. The sole remedy available to the Trustee against the Issuer in case of a “Default”, being the failure to pay principal or interest on the Senior Notes when it otherwise becomes due and payable (following the expiration of a specified grace period), is that the Trustee may commence a proceeding for our winding up and/or prove in our winding up. The Trustee may not, however, upon the occurrence of a Default, declare the principal amount of any outstanding Senior Notes due and payable. While holders of the Senior Notes will similarly not be able to accelerate a repayment of the principal amount of the Senior Notes upon the occurrence of a Default, such holders shall have the right to sue for any payments that are due but unpaid.

An Event of Default will only occur if an order is made for our winding up which is not successfully appealed within 30 days or upon a valid adoption by our shareholders of an effective resolution for our winding up (in each case other than under or in connection with a scheme of amalgamation or reconstruction not involving bankruptcy or insolvency). On the occurrence of such an Event of Default, the Trustee and the holders of the Senior Notes have only limited enforcement remedies. If such an Event of Default with respect to the Senior Notes of a series occurs and is continuing, the Trustee or the holders of at least 25% in aggregate principal amount of the outstanding Senior Notes of the relevant series may declare the principal amount of, and any accrued but unpaid interest on, the Senior Notes of such relevant series to be due and payable immediately.

Prior to the occurrence of an Event of Default, the Senior Notes are subject to bail-in in the event the U.K. bail-in power is exercised. As a result, during such time as the Trustee is seeking to cause our winding up, your claims in such winding up could be reduced to zero.

As such, the remedies available to holders of Senior Notes are limited, which may make enforcement more difficult. See “*Description of the Senior Notes—Events of Default and Defaults; Limitation of Remedies*” for further details.

We may redeem the Senior Notes at our option in certain situations, including as a result of certain tax law changes or the occurrence of a Loss Absorption Disqualification Event or on the Optional Redemption Date.

We may redeem the Senior Notes of any series in whole but not in part on the Optional Redemption Date for each series at 100% of their principal amount plus accrued but unpaid interest to, but excluding, the date of redemption as described under “*Description of the Senior Notes—Optional Redemption*”. In addition, we may redeem the Senior Notes of any series, in whole but not in part, at their principal amount together with accrued but unpaid interest upon the occurrence of certain tax law changes or a Loss Absorption Disqualification Event, as described in “*Description of the Senior Notes—Tax Redemption*” and “*Description of the Senior Notes—Loss Absorption Disqualification Event Redemption*”.

In the event we were to decide to exercise our option to redeem the Senior Notes of any series in any of the circumstances described above, such redemption may be subject to meeting certain conditions, which may include, among others, having given any required notice to the UK Prudential Regulation Authority and/or such other governmental authority in the United Kingdom having primary supervisory authority with respect to our business (the “PRA”) and the PRA granting permission to such redemption to the extent and in the manner required under the Loss Absorption Regulations (as defined in “*Description of the Senior Notes*”) or applicable laws or regulation in effect in the United Kingdom, and compliance by us with any alternative or additional pre-condition to redemption set out in the Loss Absorption Regulations and/or required by the PRA, regardless of whether such redemption would be favorable to you or us. In November 2016, the European Commission proposed substantial amendments (the “Commission Proposals”) to, *inter alia*, the Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms (the “BRRD”) and the Capital Requirements Directive (2013/36/EU) and Capital Requirements Regulation (575/2013) framework (together, “CRD IV”). If such Commission Proposals were to come into effect in their current form, we shall be required to obtain the prior permission of the PRA to redeem the Senior Notes of any series which count towards our or the Regulatory Group’s minimum requirements for own funds and eligible liabilities. See “*Description of the Senior Notes—Conditions to Redemption and Repurchase*”.

In addition, any decision by us as to whether we will exercise our option to redeem the Senior Notes of any series will be taken at our absolute discretion and our decision may be influenced by factors such as, but not limited to, the economic impact of exercising such option to redeem the Senior Notes of any series, any tax consequences, the applicable regulatory capital requirements and the prevailing market conditions. With respect to a Loss Absorption Disqualification Event, as the Loss Absorption Regulations continue to be implemented in the United Kingdom and may be subject to potential future amendments, we are currently unable to predict whether the Senior Notes are likely to be, fully or partially, excluded from our or the Regulatory Group’s minimum requirements for (A) own funds and eligible liabilities and/or (B) loss absorbing capacity instruments, in each case as such minimum requirements are applicable to us and/or the Regulatory Group.

You will not have the right to request the redemption of the Senior Notes of any series and should not invest in the Senior Notes in the expectations that we would exercise our option to redeem the Senior Notes of any series. You should be aware that you may be required to bear the financial risks of an investment in the Senior Notes until maturity. Our optional redemption on the Optional Redemption Date for each series or the perception that the Senior

Notes of any series may be redeemed in the circumstances noted above, may impact the market value of the Senior Notes. Moreover, if we redeem the Senior Notes of any series in any of the circumstances mentioned above, you may not be able to reinvest the redemption proceeds in securities offering a comparable yield as the Senior Notes of such series.

Regulatory actions in the event a bank or investment firm in the Group is failing or likely to fail could materially adversely affect the value of the Senior Notes and your rights thereunder.

The BRRD provides an EU-wide framework for the recovery and resolution of credit institutions and investment firms, their subsidiaries and certain holding companies. The BRRD requires all European Economic Area (“EEA”) member states to provide their relevant resolution authorities with a set of tools to intervene sufficiently early and quickly with respect to an institution which is failing or likely to fail so as to ensure the continuity of the institution’s critical financial and economic functions, while minimizing the impact of an institution’s failure on the broader economy and financial system.

S-10

In the United Kingdom, the majority of the requirements of the BRRD have been implemented into national law in the Banking Act 2009, as the same has been or may be amended from time to time (whether pursuant to the UK Financial Services (Banking Reform) Act 2013 (the “Banking Reform Act 2013”), secondary legislation or otherwise, the “Banking Act”) and other legislation. The UK implementation of the BRRD included the introduction of the UK bail-in tool as of January 1, 2015. For more information on the UK bail-in tool, see “—*The relevant UK resolution authority may exercise the UK bail-in tool in respect of RBSG and the Senior Notes, which may result in holders of the Senior Notes losing some or all of their investment*” and “—*Under the terms of the Senior Notes, you have agreed to be bound by the exercise of any UK bail-in power by the relevant UK resolution authority*” below.

The Banking Act confers substantial powers on relevant UK authorities designed to enable them to take a range of actions in relation to UK banks or investment firms and certain of their affiliates in the event a bank or investment firm in the same group is considered to be failing or likely to fail. The exercise of any of these actions in relation to RBSG or any entity within the Group could materially adversely affect the value of the Senior Notes.

Under the Banking Act, substantial powers are granted to the Bank of England (or, in certain circumstances, HM Treasury), in consultation with the Prudential Regulation Authority, the FCA and HM Treasury, as appropriate as part of a special resolution regime (the “SRR”). These powers enable the relevant UK resolution authority to implement resolution measures with respect to a UK bank or investment firm and certain of its affiliates (including, for example, RBSG) (each a “relevant entity”) in circumstances in which the relevant UK resolution authority is satisfied that the resolution conditions are met. Under the applicable regulatory framework and pursuant to guidance issued by the Bank of England, governmental financial support, if any is provided, would only be used as a last resort measure where a serious threat to financial stability cannot be avoided by other measures (such as the stabilization options described below, including the UK bail-in power) and subject to the limitations set out in the Banking Act.

Several stabilization options are available to the relevant UK resolution authority under the SRR, where a resolution has been triggered, including: (i) private sector transfer of all or part of the business of the relevant entity, which can include either its shares or its property; (ii) transfer of all or part of the business of the relevant entity to a “bridge bank” established by the Bank of England pending a future sale or share issuance; (iii) an asset separation tool which allows assets and liabilities of the firm to be transferred to and managed by an asset management vehicle; (iv) the UK bail-in tool (as described further below); and (v) temporary public ownership (nationalization). In addition, the UK resolution authority may commence special administration or liquidation procedures applicable to financial institutions.

Further, the Banking Act grants broad powers to the UK resolution authority, the application of which may adversely affect contractual arrangements (including the Senior Notes) and which include the ability to (i) modify or cancel contractual arrangements to which an entity in resolution is party, in certain circumstances; (ii) suspend or override the enforcement provisions or termination rights that might be invoked by counterparties facing an entity in resolution, as a result of the exercise of the resolution powers; and (iii) disapply or modify laws in the UK (with possible retrospective effect) to enable the powers under the Banking Act to be used effectively.

The exercise of the stabilization powers or other powers conferred on the UK resolution authority under the Banking Act with respect to us, or any suggestion of any such exercise, could materially adversely affect the value or trading liquidity of the Senior Notes or your rights under the Senior Notes and could lead to holders of the Senior Notes losing some or all of the value of their investment in the Senior Notes.

Further, the Commission Proposals cover multiple areas, including, *inter alia*, the ranking of unsecured debt instruments in national insolvency proceedings (to include a new category of ‘non-preferred’ senior debt), to enhance the stabilisation tools with the introduction of a moratorium tool, a revised minimum requirement for own funds and eligible liabilities (or “MREL”) framework and the integration of the minimum total loss-absorbing capacity (or “TLAC”) standard into EU legislation. The Commission Proposals are currently being considered by the European Parliament and the Council of the European Union and therefore remain subject to change. The final package of new legislation may not include all elements of the Commission Proposals and new or amended elements may be introduced through the course of the legislative process. Until the Commission Proposals are in final form, it is uncertain how the Commission Proposals will affect us or holders of our securities, including the Senior Notes.

The SRR is designed to be triggered prior to our insolvency and holders of the Senior Notes may not be able to anticipate the exercise of any resolution power (including the UK bail-in power) by the relevant UK resolution authority.

The stabilization options are intended to be applied prior to the point at which any insolvency proceedings with respect to the relevant entity could have been initiated. Accordingly, the stabilization options may be exercised if the relevant UK resolution authority: (i) is satisfied that a UK bank or investment firm is failing, or is likely to fail; (ii) determines that it is not reasonably likely that (ignoring the stabilization powers) action will be taken by or in respect of a UK bank or investment firm that will result in condition (i) above ceasing to be met; (iii) considers the exercise of the stabilization powers to be necessary, having regard to certain public interest considerations (such as the stability of the UK financial system, public confidence in the UK banking system and the protection of depositors, being some of the special resolution objectives) and (iv) considers that the special resolution objectives would not be met to the same extent by the winding-up of the UK bank or investment firm.

In the event that the relevant UK resolution authority seeks to exercise its powers in relation to a UK banking group company (such as RBSG), the relevant UK resolution authority has to be satisfied that (A) the conditions set out in (i) to (iv) above are met in respect of a UK bank or investment firm in the same banking group (or, in respect of an EEA or third country credit institution or investment firm in the same banking group, the relevant EEA or third country resolution authority is satisfied that the conditions for resolution applicable in its jurisdiction are met) and (B) certain criteria are met, such as the exercise of the powers in relation to such UK banking group company being necessary having regard to public interest considerations.

The use of different stabilization powers is also subject to further “specific conditions” that vary according to the relevant stabilization power being used.

Although the SRR sets out the pre-conditions for determining whether an institution is failing or likely to fail, it is uncertain how the Bank of England would assess such conditions in any particular pre-insolvency scenario affecting RBSG and/or other members of the Group and in deciding whether to exercise a resolution power. In addition, upon the United Kingdom formally terminating its membership of the European Union, the Bank of England may adopt new or different criteria for determining the conditions to the exercise of its resolution powers. Further regulatory developments, including proposals by the Financial Stability Board on cross-border recognition of resolution actions, could also influence the conditions for the exercise of the stabilisation powers. There has been no application of the SRR powers in the UK to a large financial institution, such as RBSG, to date, which could provide an indication of the relevant UK resolution authority’s approach to the exercise of the resolution powers, and even if such examples existed, they may not be indicative of how such powers could be applied to RBSG. Therefore, holders of the Senior Notes may not be able to anticipate a potential exercise of any such powers nor the potential effect that the exercise of such powers could have on RBSG, the Group and the Senior Notes. Uncertainty relating to the exercise of such powers may lead to increased volatility in the trading of the Senior Notes and may affect their market value.

With respect to UK bail-in powers specifically, there remains uncertainty as to how they may be exercised and how they would affect us and the Senior Notes. The determination that all or part of the principal amount of the Senior Notes will be subject to loss absorption is likely to depend on a number of factors which may be outside of our control. In particular, in determining whether an institution is failing or likely to fail, the relevant UK resolution authority shall consider a number of factors, including, but not limited to, an institution's capital and liquidity position, governance arrangements and any other elements affecting the institution's continuing authorisation.

Moreover, as the final criteria that the relevant UK resolution authority would consider in exercising any bail-in power provide it with considerable discretion, holders of the Senior Notes may not be able to refer to publicly available criteria in order to anticipate a potential exercise of any such power and consequently its potential effect on the Issuer, the Group and the Senior Notes. The relevant UK resolution authority is also not required to provide any advance notice to holders of the Senior Notes of its decision to exercise any resolution power.

Because of this inherent uncertainty, it will be difficult to predict when, if at all, the exercise of any stabilisation power, including the UK bail-in power, by the Bank of England, as UK resolution authority, may occur which would result in a principal write off or conversion to equity. The uncertainty may adversely affect the value of your investment in the Senior Notes.

The relevant UK resolution authority may exercise the UK bail-in tool in respect of RBSG and the Senior Notes, which may result in holders of the Senior Notes losing some or all of their investment.

The UK bail-in tool is one of the powers available to the UK resolution authority under the SRR and was introduced under the Banking Act. The UK government amended the provisions of the Banking Act to ensure the consistency of these provisions with the bail-in provisions under the BRRD, which amendments came into effect on January 1, 2015.

The UK bail-in tool was introduced as an additional power available to the Bank of England (as a relevant UK resolution authority), to enable it to recapitalize a failed institution by allocating losses to its shareholders and unsecured creditors (which would include holders of the Senior Notes) in a manner that (i) reflects the hierarchy of capital instruments and otherwise ought to respect the hierarchy of claims in an ordinary insolvency and (ii) is consistent with shareholders and creditors not receiving a less favourable treatment than they would have received in ordinary insolvency proceedings of the relevant entity (known as the “no creditor worse off” safeguard). Certain liabilities are excluded from the scope of the UK bail-in tool, such as insured deposits and liabilities that are secured. The Banking Act also grants the power for the relevant UK resolution authority to exclude any liability or class of liabilities on certain prescribed grounds (including financial stability grounds) and subject to specified conditions.

Where the conditions for resolution exist, the Bank of England may use the bail-in tool (in combination with other resolution tools under the Banking Act) to, among other things, cancel a liability or modify the terms of contracts for the purposes of reducing or deferring the liabilities of the relevant entity under resolution and the power to convert a liability from one form or class to another. The exercise of such powers may result in the cancellation of all, or a portion, of the principal amount of, interest on, or any other amounts payable on, the Senior Notes and/or the conversion of all or a portion of the principal amount of, interest on, or any other amounts payable on, the Senior Notes into ordinary shares or other securities or other obligations of RBSG or another person. In addition, the Bank of England may use the UK bail-in tool to, among other things, replace or substitute RBSG as obligor in respect of the Senior Notes, modify the terms of the Senior Notes (including altering the maturity (if any) and/or the amount of interest payable and/or imposing a temporary suspension on payments) and discontinue the listing and admission to trading of each series of the Senior Notes.

Moreover, and as described above where there exists a threat that the UK resolution authority may exercise the UK bail-in power, the trading and market price of the Senior Notes may be affected and should therefore not necessarily be expected to follow the trading behaviour associated with similar types of securities not subject to the UK bail-in power. Additionally, to the extent the UK bail-in power is exercised to convert the Senior Notes into securities, any securities you receive upon conversion of your Senior Notes (whether debt or equity) likely may not be listed for at least an extended period of time, if at all, or may be on the verge of being delisted by the relevant exchange, including, for example, our American depositary receipts listed on the New York Stock Exchange or our ordinary shares listed on the London Stock Exchange or otherwise. Moreover, the exercise of the UK bail-in power and/or other actions implementing the UK bail-in power may require interests in the Senior Notes to be held or taken, as the case may be, through clearing systems, intermediaries or persons other than DTC. Furthermore, the trustee may be unwilling to continue serving in its capacity as trustee for the Senior Notes, subject to the terms of the Indenture. As a result, there

may not be an active market for any securities you may hold after the exercise of the UK bail-in power.

As a potential investor in the Senior Notes, you should consider the risk that you may lose all of your investment, including the principal amount plus any accrued but unpaid interest if the UK bail-in power is acted upon or that such Senior Notes may be converted into ordinary shares or other instruments of us or a Group entity which may be of little value at the time of conversion and thereafter. In addition, trading behaviour, including prices and volatility, may be affected by the threat of bail-in and as a result the Senior Notes may not follow the trading behaviour associated with other types of securities.

Although the above represents the risks associated with the UK bail-in power currently in force in the UK and applicable to our securities (including the Senior Notes), changes to the scope of, or conditions for the exercise of the UK bail-in power may be introduced as a result of further developments, including those resulting from the process of the UK leaving the EU. In addition, further political, legal or strategic developments may lead to structural changes to the Group, including at the holding company level. Notwithstanding any such changes, we expect that our securities (including the Senior Notes) would remain subject to the exercise of a form of bail-in power, either pursuant to the provisions of the Banking Act, the BRRD or otherwise.

Under the terms of the Senior Notes, you have agreed to be bound by the exercise of any UK bail-in power by the relevant UK resolution authority.

Pursuant to Article 55 of the BRRD and the relevant rules adopted in the UK to transpose such requirements, subject to limited exceptions, unsecured liabilities of a financial institution governed by the laws of a country outside of the European Economic Area (which include the Senior Notes, the terms of which are governed by New York Law) must contain a contractual acknowledgment whereby the holders recognise that such liability may be subject to the UK bail-in power and agree to be bound by the exercise of those powers by the relevant resolution authority.

As a result, and notwithstanding any other agreements, arrangements, or understandings between us and any holder or beneficial owner of the Senior Notes, by its acquisition of Senior Notes, each holder and beneficial owner of the Senior Notes acknowledges, accepts, agrees to be bound by and consents to the exercise of any UK bail-in power by the relevant UK resolution authority which may result in (i) the reduction or cancellation of all, or a portion, of the principal amount of, or interest on, the Senior Notes; (ii) the conversion of all, or a portion, of the principal amount of, or interest on, the Senior Notes into ordinary shares or other securities or other obligations of RBSG or another person; and/or (iii) the amendment or alteration of the maturity of the Senior Notes, or amendment of the amount of interest due on the Senior Notes, or the dates on which interest becomes payable, including by suspending payment for a temporary period; which UK bail-in power may be exercised by means of variation of the terms of the Senior Notes solely to give effect to the exercise by the relevant UK resolution authority of such UK bail-in power. Each holder and beneficial owner of the Senior Notes further acknowledges and agrees that the rights of the holders and/or beneficial owners under the Senior Notes are subject to, and will be varied, if necessary, solely to give effect to, the exercise of any UK bail-in power by the relevant UK resolution authority.

For these purposes, a “UK bail-in power” is any write-down, conversion, transfer, modification or suspension power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, banking group companies, credit institutions and/or investment firms incorporated in the United Kingdom in effect and applicable in the United Kingdom to RBSG or other members of the Group, including but not limited to any such laws, regulations, rules or requirements which are implemented, adopted or enacted within the context of a European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms and/or within the context of a UK resolution regime under the Banking Act, pursuant to which any obligations of a bank, banking group company, credit institution or investment firm or any of its affiliates can be reduced, cancelled, modified, transferred and/or converted into shares or other securities or obligations of the obligor or any other person (or suspended for a temporary period) or pursuant to which any right in a contract governing such obligations may be deemed to have been exercised. A reference to the “relevant UK resolution authority” is to any authority with the ability to exercise a UK bail-in power.

Any UK bail-in power may be exercised in such a manner as to result in you and other holders of Senior Notes losing the value of all or a part of your investment in the Senior Notes or receiving a different security from the Senior Notes, which may be worth significantly less than the Senior Notes and which may have significantly fewer protections than those typically afforded to debt securities. Moreover, the relevant UK resolution authority may exercise its authority

to implement the UK bail-in power without providing any advance notice to the holders of the Senior Notes.

Neither a reduction or cancellation, in part or in full, of the principal amount of or any interest on the Senior Notes, the conversion thereof into another security or obligation of RBSG or another person, as a result of the exercise of the UK bail-in power by the relevant UK resolution authority with respect of the Senior Notes will of itself constitute a default or event of default under the terms of the Senior Notes or the Indenture.

For more information, see “*Description of the Senior Notes—Agreement with Respect to the Exercise of UK Bail-in Power*”.

Holders’ rights may be limited in respect of the exercise of the UK bail-in power by the relevant UK resolution authority.

There may be limited protections, if any, that will be available to holders of securities subject to the UK bail-in power (including the Senior Notes) and to the broader resolution powers of the relevant UK resolution authority.

Although we expect, according to the principles of the Banking Act, that the relevant UK resolution authority would respect creditor hierarchies when exercising its UK bail-in power in respect of the Senior Notes and that the noteholders would be treated *pari passu* with the claims of holders of all our senior unsecured instruments which in each case by law rank, or by their terms are expressed to rank, *pari passu* with the Senior Notes at that time being subjected to the exercise of the UK bail-in power, the rules provide for some exceptions to these principles which the relevant resolution authority may choose to rely upon. In addition, holders of securities will have a right to be compensated in the event of the exercise of the UK bail-in power with respect to the Senior Notes, based on the principle that such investors should receive no less favourable treatment than they would have received had RBSG entered into insolvency immediately before the initial exercise of the resolution powers pursuant to the UK bail-in power. However, even in circumstances where a claim for compensation is established under the “no creditor worse off” safeguard in accordance with a valuation performed after the resolution action has been taken, it is unlikely that such compensation would be equivalent to the full losses incurred by the holders of the Senior Notes in the resolution and there can be no assurance that such holders would recover such compensation promptly. In addition, due to the discretion afforded to the Bank of England, the claims of some creditors whose claims would rank equally with yours may be excluded from being subject to the UK bail-in tool. The greater number of such excluded creditors there are, the greater the potential impact of the UK bail-in tool on other creditors who have not been excluded (which may include you). As the implementation of these provisions remains to be tested and may be further amended, there can be no certainty as to how these legal protections or remedies would be implemented by the relevant UK resolution authority.

Further, although the Bank of England’s resolution instrument with respect to the exercise of the UK bail-in tool must set out the provisions allowing for securities to be transferred, cancelled or modified (or any combination of these), the resolution instrument may make any provision that the Bank of England considers to be appropriate in exercising its specific powers. Such other provisions are expected to be specific and tailored to the circumstances that have led to the exercise of the UK bail-in tool under the Banking Act and there is uncertainty as to the extent to which usual processes and/or procedures under English law will be available to holders of securities (including the Senior Notes) or that the “no creditor worse off” safeguard will be effective if such powers are exercised. Accordingly, you may have limited or circumscribed rights to challenge any decision of the Bank of England or other relevant UK resolution authority to exercise its UK bail-in power.

Other changes in law may adversely affect your rights as noteholders.

Changes in law after the date hereof may affect your rights as a holder of Senior Notes as well as the market value of the Senior Notes. A number of regulators are currently proposing or considering legislation and rule making which may affect the Group’s business, your rights as a holder of the Senior Notes and the market value of the Senior Notes. Such changes in law may include changes in statutory, tax and regulatory regimes during the life of the Senior Notes, or changes that could have a significant impact on the future legal entity structure, business mix (including a potential exit of certain business activities) and management of the Group, and use of capital and requirements for loss-absorbing capacity within the Group, which may have an adverse effect on an investment in the Senior Notes.

In particular, any developments resulting from the process of the UK leaving the EU may lead to significant changes to the laws applicable in the UK as more particularly described in our 2016 Annual Report in the section entitled “*Risk Factors— The Group is subject to political risks, including economic, regulatory and political uncertainty arising from the outcome of the referendum on the UK’s membership of the European Union which could adversely impact the Group’s business, results of operations, financial condition and prospects.*” and may adversely affect your rights under the Senior Notes. Further changes in law, including changes applicable to financial institutions (including the Group) may result from further political developments in the UK, including following the general election which will be held in the UK in June 2017.

In addition, any change in tax law or regulation may entitle us to redeem the Senior Notes of any series, in whole (but not in part), as more particularly described under “—*Risks Relating to the Senior Notes—We may redeem the Senior Notes at our option in certain situations, including as a result of certain tax law changes or the occurrence of a Loss Absorption Disqualification Event or on the Optional Redemption Date.*” above and “*Description of the Senior Notes—Tax Redemption.*” and “*Description of the Senior Notes—Loss Absorption Disqualification Event*”.

Such legislative and regulatory uncertainty could also affect the value the Senior Notes and therefore affect the trading price of the Senior Notes given the extent and impact on the Senior Notes that one or more regulatory or legislative changes could have on the Senior Notes.

The interest rate on the Fixed/Floating Rate Notes will reset on each Fixed/Floating Rate Notes Interest Reset Date and the interest rate on the Floating Rate Notes will reset on each Floating Rate Notes Interest Reset Date.

The interest rate on the Fixed/Floating Rate Notes will initially be 3.498% per annum from (and including) the Issue Date to (but excluding) May 15, 2022. From (and including) May 15, 2022 to (but excluding) maturity, the interest rate on the Fixed/Floating Rate Notes will be equal to the three-month U.S. dollar LIBOR, as determined by the Calculation Agent on the applicable Fixed/Floating Rate Notes Interest Determination Date, plus 1.480% per annum.

From (and including) the Issue Date to (but excluding) maturity, the interest rate on the Floating Rate Notes will be equal to the three-month U.S. dollar LIBOR, as determined by the Calculation Agent on the applicable Floating Rate Notes Interest Determination Date, plus 1.470% per annum.

As a result, the interest rate on the Floating Rate Notes and, following May 15, 2022, on the Fixed/Floating Rate Notes may be less than the initial interest rate and/or the interest rate that applies immediately prior to the relevant Interest Reset Date, which would affect the amount of any interest payments under the Senior Notes and, by extension, could affect their market value.

The Senior Notes are effectively subordinated to our secured indebtedness.

The Senior Notes are unsecured and will be effectively subordinated to all our existing and future secured indebtedness to the extent of the assets securing such indebtedness. The Senior Notes are our obligations exclusively and are not guaranteed by any person, including any of our subsidiaries. By reason of such subordination, in the event of our insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up, our assets will be available to pay the amounts due on the Senior Notes only after all our then existing secured indebtedness has been paid in full.

The Senior Notes are not bank deposits and are not insured or guaranteed by the Federal Deposit Insurance Corporation, the Deposit Insurance Fund, or any other government agency.

The Senior Notes are our obligations but are not bank deposits. In the event of our insolvency, the Senior Notes will rank equally with our other unsecured, unsubordinated obligations and will not have the benefit of any insurance or guarantee of the Federal Deposit Insurance Corporation, The Deposit Insurance Fund, or any other government agency.

Our holding company structure may mean that our rights to participate in assets of any of our subsidiaries upon its liquidation may be subject to prior claims of some or all of its creditors, including when we have loaned or otherwise advanced the proceeds received from the issuance of the Senior Notes to such subsidiary.

We are a non-operating holding company and, as such, our principal source of income is derived from our operating subsidiaries that hold the principal assets of the Group. As a separate legal entity, we rely on, among other things, remittance of our subsidiaries' loan interest payments and dividends in order to be able to meet our obligations to you as they fall due. The ability of our subsidiaries and affiliates to pay dividends depends on the earnings and financial condition of our subsidiaries and various business considerations. Statutory, contractual or other restrictions may also limit our subsidiaries' ability to pay dividends or make distributions, loans or advances to us. For these reasons, we may not have access to any assets or cash flows of our subsidiaries to make payments on our Senior Notes.

In addition, the Senior Notes are structurally subordinated to all liabilities of our subsidiaries. This means that because we are a holding company, our rights to participate as a shareholder in the assets of any subsidiary if it is liquidated will be subject to the prior claims of its creditors and any preference shareholders, except to the extent that we may be a creditor with recognised claims ranking ahead of or *pari passu* with such prior claims against the subsidiary. If any of our subsidiaries were wound up, liquidated or dissolved (i) the noteholders would have no right to proceed against the assets of such subsidiary and (ii) the liquidator of such subsidiary would first apply the assets

of such subsidiary to settle the claims of such subsidiary's creditors and/or preference shareholders (including holders of such subsidiary's senior debt and tier 2 and tier 1 capital instruments (if any)) before we would be entitled to receive any distributions.

The terms of the Senior Notes also do not constrain how we make our investments in, or advance funds to, our subsidiaries, including the proceeds of issuances of debt securities, such as the Senior Notes, and as to how we may restructure existing investments and funding in the future. The ranking of our claims in respect of such investments and funding in the event of the liquidation of a subsidiary, and their treatment in resolution, will depend in part on their form and structure and the types of claim that they give rise to. The purposes of such investments and funding, and any such restructuring, may include, among other things, the provision of different amounts or types of capital or funding to particular subsidiaries, including for the purposes of meeting regulatory requirements, such as the implementation of any MREL (or any equivalent requirements imposed by the PRA), including as amended to transpose the terms of the Financial Stability Board ("FSB") final standards for TLAC requirements, in respect of such subsidiaries.

The Bank of England's November 2016 statement of policy on the approach to setting MREL in the UK as well as the Commission Proposals require, consistent with the FSB's TLAC term sheet, instruments eligible for MREL/TLAC issued by us to be structurally subordinated to senior liabilities of our operating subsidiaries. The capital raised through issuances of MREL/TLAC eligible liabilities by us would then be transferred downstream to our material operating subsidiaries in the form of capital or another form of subordinated claim. In this way, MREL/TLAC eligible instruments issued by us will be structurally subordinated to senior liabilities of our operating companies, allowing losses from such operating companies to be transferred to us. Certain aspects of the MREL/TLAC requirements remain subject to implementation in the UK (including in light of the UK's anticipated exit from the EU) and further amendments at the European level and could result in increased funding requirements for us and/or such subsidiaries.

In addition, the terms of some loans or investments in capital instruments issued by our subsidiaries may contain contractual mechanisms that, upon the occurrence of a trigger related to the prudential or financial condition of such subsidiary, would result in a write-down of the claim or a change in the ranking and type of claim that we have against such subsidiary. Any changes in the legal or regulatory form or ranking of a loan or investment could also affect its treatment in resolution.

We may issue securities pari passu with the Senior Notes and/or secured debt.

There is no restriction under the Indenture on the amount of securities that we may issue that rank *pari passu* with the Senior Notes. In particular, the FSB final standards for TLAC requirements for global systemically important banks will apply to us as implemented in the United Kingdom through the MREL framework, and we expect to issue between £3 to £5 billion principal amount of securities per annum between 2016 and 2019 in order to meet these requirements. In March 2017, we issued €1.5 billion principal amount of MREL compliant senior notes under our Euro

Medium Term Note programme and on May 9, 2017, we priced covered bond transactions comprising a €1.25 billion tranche and a £1.25 billion tranche and we may issue additional senior debt securities to replace some of our outstanding debt or to meet additional regulatory requirements.

Furthermore, the terms of the Indenture permit us (and our subsidiaries) to incur additional debt, including secured debt. The Senior Notes will be effectively subordinated to any secured indebtedness or other liabilities.

The credit risk of RBSG, its credit ratings, and its credit spreads may adversely affect the value of the Senior Notes prior to maturity and its ability to pay all amounts due on the Senior Notes.

The Senior Notes are our senior unsecured debt securities. As a result, your receipt of all payments of interest and principal on the Senior Notes is dependent on our ability to repay our obligations on the applicable payment date. No assurance can be given as to what our financial condition will be at any time during the term or on the maturity date of the Senior Notes. Consequently, all payments on the Senior Notes will be subject to the credit risk of RBSG and not that of any of our subsidiaries, including RBS plc. Any actual or anticipated decline in RBSG's credit ratings, changes in the market's view of its creditworthiness or any increase in its credit spreads charged by the market for taking credit risk are likely to adversely affect the value of the Senior Notes prior to maturity and cause the liquidity of the Senior Notes to decline significantly.

Our credit ratings are an assessment, by each rating agency, of our ability to pay our obligations, including those under the Senior Notes. Any rating assigned to us or the Senior Notes may be withdrawn entirely by a credit rating agency, may be suspended or may be lowered, if, in that credit rating agency's judgment, circumstances relating to the basis of the rating so warrant. Ratings may be impacted by a number of factors which can change over time, including the credit rating agency's assessment of: our strategy and management's capability; our financial condition including in respect of capital, funding and liquidity; competitive and economic conditions in our key markets; the level of political support for the industries in which we operate; the sovereign rating of the UK; and legal and regulatory frameworks affecting our legal structure, business activities and the rights of our creditors. The credit rating agencies may also revise the ratings methodologies applicable to issuers within a particular industry, or political or economic region. In particular, following the outcome of the referendum on the UK's membership of the European Union in favour of the UK leaving the EU, rating agencies downgraded the UK's credit ratings and/or changed or maintained their outlook for the UK to negative. Credit agencies also changed their outlook for a number of UK banks (excluding the Group) to negative. If credit rating agencies perceive there to be adverse changes in the factors affecting our credit rating, including by virtue of changes to applicable ratings methodologies, the credit rating agencies may downgrade, suspend or withdraw the ratings assigned to us or other Group entities. An improvement in our credit ratings will not necessarily increase the value of the Senior Notes and will not reduce market risk and other investment risks related to the Senior Notes. Credit ratings (i) do not reflect the risk that interest rates may rise, which may affect the values of the Senior Notes, which accrue interest at a fixed rate, (ii) do not address the price, if any, at which the Senior Notes may be resold prior to maturity (which may be substantially less than the original offering price of the Senior Notes), and (iii) are not recommendations to buy, sell or hold the Senior Notes.

An active trading market may not develop for the Senior Notes.

There is no existing trading market for the Senior Notes. We intend to apply for the listing of each series of the Senior Notes on the New York Stock Exchange. There is, however, no assurance that each series of the Senior Notes will be accepted for listing or remain listed on the New York Stock Exchange and, if listed, that an active trading market will develop or, if developed, that it will continue. We have been advised by the Underwriters that the Underwriters intend to make a market in the Senior Notes, but they are not obligated to do so and may discontinue market-making at any time without notice. No assurance can be given as to the liquidity of the trading markets for the Senior Notes. If an active trading market does not develop or is not maintained, the market price and liquidity of the Senior Notes may be adversely affected. In that case, holders of the Senior Notes may not be able to sell Senior Notes at a particular time or may not be able to sell Senior Notes at a favourable price. The liquidity of any market for the Senior Notes will depend on a number of factors including:

· the number of holders of the Senior Notes;

· our ratings published by major credit rating agencies;

· our financial performance;

· the market for similar securities;

· the interest of securities dealers in making a market in the Senior Notes;

· prevailing interest rates; and

· the introduction of any financial transactions tax.

Investors should be aware that the materialization of any of the above risks may adversely affect the value of the Senior Notes.

S-18

RECENT DEVELOPMENTS

Q1 2017 Interim Report

Please refer to our Q1 2017 Interim Report, which contains recent developments, including in relation to the Group's business and financial performance and ongoing litigation, investigation and reviews, and which is incorporated by reference herein.

S-19

USE OF PROCEEDS

The net proceeds from the issue of the Senior Notes are expected to amount to approximately \$2,988,680,000 after deduction of the underwriting commission and the other expenses incurred in connection with the issue of the Senior Notes. We intend to use the net proceeds of the offering to fund our general banking business.

S-20

CAPITALIZATION OF THE GROUP

The following table shows the Group's issued and fully paid share capital, owners' equity and indebtedness on an unaudited consolidated basis in accordance with International Financial Reporting Standards as at March 31, 2017.

	As at March 31, 2017	
	Actual	As Adjusted ⁽¹⁾
	£ million	£ million
Share capital – allotted, called up and fully paid		
Ordinary shares of £1.00	11,842	11,842
Non-cumulative preference shares of \$ 0.01 ⁽²⁾	1	1
Non-cumulative preference shares of €0.01 ⁽³⁾	-	-
Non-cumulative preference shares of £1.00 ⁽⁴⁾	-	-
	11,843	11,843
Retained income and other reserves	36,863	36,863
Owners' equity	48,706	48,706
Group indebtedness		
Subordinated liabilities	15,514	15,514
Debt securities in issue	28,163	30,550
Total indebtedness	43,677	46,064
Total capitalisation and indebtedness	92,383	94,770

(1) The 'As Adjusted' column reflects the effects of the issue of the Senior Notes offered hereby. Amounts shown have been converted from dollars to sterling at a rate of \$1.2520=£1.00, the rate used to translate assets and liabilities as at March 31, 2017. We make no representation that amounts have been or could have been or could in the future be converted into dollars at that rate or any other rate.

(2) As at March 31, 2017, there were 26,459,170 Non-cumulative preference shares of \$0.01 outstanding, representing \$264,592.

(3) As at March 31, 2017, there were 2,044,418 Non-cumulative preference shares of €0.01 outstanding, representing €20,444.

(4) As at March 31, 2017, there were 54,442 Non-cumulative preference shares of £1.00 outstanding, representing £54,442.

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

On March 31, 2017, we announced our intention to redeem on June 8, 2017, the £400,000,000 Fixed/Floating Rate Non-cumulative Trust Preferred Securities issued by RBS Capital Trust D (“TPS”) and the £400,001,000 Fixed/Floating Rate Callable Subordinated Notes due 2047 issued by us. As a result of previous public tender offers for the TPSs, we already hold £307,451,000 of the TPS.

On May 9, 2017, RBS plc priced a covered bond transaction comprising a €1.25 billion seven year fixed rate bond and a €1.25 billion three year floating rate bond. The settlement of the notes is expected to be on or around May 15, 2017, with maturity dates of May 15, 2024 and May 15, 2020, respectively. The notes will be accounted for as debt securities in issue.

Other than as disclosed above, the information contained in the table above has not changed materially since March 31, 2017.

S-21

RATIO OF EARNINGS TO FIXED CHARGES

		Year ended December 31,				
	Three-months ended March 31, 2017⁽³⁾	2016	2015	2014	2013	2012
Ratio of earnings to combined fixed charges and preference share dividends ⁽¹⁾⁽²⁾						
– including interest on deposits	1.94	(0.45)	0.17	1.52	(0.51)	0.13
– excluding interest on deposits	2.85	(2.13)	(1.17)	2.61	(5.12)	(3.73)
Ratio of earnings to fixed charges only ⁽¹⁾⁽²⁾						
– including interest on deposits	2.37	(0.53)	0.19	1.67	(0.55)	0.13
– excluding interest on deposits	4.44	(3.25)	(1.60)	3.58	(6.95)	(4.80)

(1) For this purpose, earnings consist of income before tax and non-controlling interests, plus fixed charges less the unremitted income of associated undertakings (share of profits less dividends received). Fixed charges consist of total interest expense, including or excluding interest on deposits and debt securities in issue, as appropriate, and the proportion of rental expense deemed representative of the interest factor (one third of total rental expenses).

The earnings for the years ended December 31, 2016, 2015, 2013 and 2012, were inadequate to cover total fixed charges and preference share dividends. The coverage deficiency for total fixed charges and preference share dividends for the years ended December 31, 2016, 2015, 2013 and 2012 was £4,586 million (\$6,165 million), £3,088 million (\$4,709 million), £9,247 million (\$14,493 million) and £6,353 million (\$10,117 million), respectively. The coverage deficiency for fixed charges for the years ended December 31, 2016, 2015, 2013 and (2)2012 was £4,082 million (\$5,488 million), £2,703 million (\$4,122 million), £8,849 million (\$13,869 million) and £6,052 million (\$9,637 million), respectively. Dollar amounts have been converted from sterling at the following rates which are the average of the Noon Buying Rates on the last US business day of each month during the relevant year: (i) \$1.3444 for the year ended December 31, 2016; (ii) \$1.5250 for the year ended December 31, 2015; (iii) \$1.5673 for the year ended December 31, 2013; and (iv) £1 = \$1.5924 for the year ended December 31, 2012.

(3)

Based on unaudited numbers.

DESCRIPTION OF THE SENIOR NOTES

In this prospectus supplement, we refer to the \$1,500,000,000 3.498 % Fixed Rate/Floating Rate Notes due 2023 as the “Fixed/Floating Rate Notes”, to the \$1,500,000,000 Floating Rate Notes due 2023 as the “Floating Rate Notes” and to the Fixed/Floating Rate Notes and the Floating Rate Notes collectively as the “Senior Notes”. The following is a summary of certain terms of the Senior Notes. It supplements the description of the general terms of the debt securities of any series we may issue contained in the accompanying prospectus under the heading “Description of Debt Securities.” If there is any inconsistency between the following summary and the description in the accompanying prospectus, the following summary governs.

General

The Fixed/Floating Rate Notes and the Floating Rate Notes will be issued in an aggregate principal amount of \$1,500,000,000 and \$1,500,000,000, respectively, and unless previously redeemed (in the circumstances described in “—Tax Redemption”, “—Loss Absorption Disqualification Event” and “—Optional Redemption” below), will mature on May 2023.

The Senior Notes of each series will constitute our direct, unconditional, unsecured and unsubordinated obligations ranking *pari passu*, without any preference among themselves, and equally with all our other outstanding unsecured and unsubordinated obligations, present and future, except such obligations as are preferred by operation of law.

Each of the Fixed/Floating Rate Notes and the Floating Rate Notes will constitute a separate series of senior debt securities issued under the Indenture. Book-entry interests in the Senior Notes will be issued in minimum denominations of \$200,000 and in integral multiples of \$1,000 in excess thereof.

The principal corporate trust office of the Trustee in London, United Kingdom, is designated as the principal paying agent. We may at any time designate additional paying agents or rescind the designation of paying agents or approve a change in the office through which any paying agent acts.

We will issue the Senior Notes in fully registered form. The Senior Notes will be represented by global securities registered in the name of a nominee of DTC. You will hold beneficial interest in the Senior Notes through the DTC and its participants. The Underwriters expect to deliver the Senior Notes through the facilities of the DTC on May 15, 2017. For a more detailed summary of the form of the Senior Notes and settlement and clearance arrangements, you should read “*Description of Certain Provisions Relating to Debt Securities and Contingent Convertible Securities—Form*

of Debt Securities and Contingent Convertible Securities; Book-Entry System” in the accompanying prospectus. Indirect holders trading their beneficial interests in the Senior Notes through the DTC must trade in the DTC’s same-day funds settlement system and pay in immediately available funds. Secondary market trading through Euroclear and Clearstream, Luxembourg will occur in the ordinary way following the applicable rules and operating procedures of Euroclear and Clearstream, Luxembourg.

Definitive debt securities will only be issued in limited circumstances described under “*Description of Certain Provisions Relating to Debt Securities and Contingent Convertible Securities—Form of Debt Securities and Contingent Convertible Securities; Book-Entry System*” in the accompanying prospectus.

Payment of principal of and interest on the Senior Notes, so long as the Senior Notes are represented by global securities, will be made in immediately available funds. Beneficial interests in the global securities will trade in the same-day funds settlement system of the DTC, and secondary market trading activity in such interests will therefore settle in same-day funds.

We may, without the consent of the holders of the Senior Notes of any series, issue additional notes having the same ranking and same interest rate, maturity date, redemption terms and other terms as the Senior Notes of the applicable series described in this prospectus supplement except for the prices to the public and Issue Date of such Senior Notes, provided however that if such additional notes have the same CUSIP, ISIN and/or Common Code as the outstanding Senior Notes, such additional notes must be fungible with the outstanding Senior Notes of the applicable series for U.S. federal income tax purposes of the applicable series. Any such additional notes, together with the Senior Notes of the applicable series offered by this prospectus supplement, may constitute a single series

of Senior Notes under the Indenture. There is no limitation on the amount of notes or other debt securities that we may issue under the Indenture.

Interest

In respect of the Fixed/Floating Rate Notes, from (and including) the Issue Date to (but excluding) May 15, 2022 (such period, the “Fixed/Floating Rate Notes Fixed Rate Period”), interest on the Fixed/Floating Rate Notes will be payable at a rate of 3.498% per annum. During the Fixed/Floating Rate Notes Fixed Rate Period, interest on the Fixed/Floating Rate Notes will be payable semi-annually in arrear on May 15 and November 15 of each year, beginning on November 15, 2017, to (and including) May 15, 2022 (each, a “Fixed/Floating Rate Notes Fixed Rate Period Interest Payment Date”). From (and including) May 15, 2022 to (but excluding) maturity (such period, the “Fixed/Floating Rate Notes Floating Rate Period”), the interest rate on the Fixed/Floating Rate Notes will be equal to the three-month U.S. dollar London interbank offered rate (“LIBOR”), as determined by the Calculation Agent on the applicable Fixed/Floating Rate Notes Interest Determination Date (as defined below), plus 1.480% per annum (the “Fixed/Floating Rate Notes Floating Interest Rate”) accruing from May 15, 2022, to (but excluding) maturity. During the Fixed/Floating Rate Notes Floating Rate Period, interest on the Fixed/Floating Rate Notes will be payable quarterly in arrear on August 15, 2022, November 15, 2022, February 15, 2023 and May 15, 2023, beginning on August 15, 2022, to (and including) maturity (each, a “Fixed/Floating Rate Notes Floating Rate Period Interest Payment Date” and, together with each Fixed/Floating Rate Notes Fixed Rate Period Interest Payment Date, each a “Fixed/Floating Rate Notes Interest Payment Date”) and will be reset quarterly on May 15, 2022, August 15, 2022, November 15, 2022 and February 15, 2023, beginning on May 15, 2022 (each, a “Fixed/Floating Rate Notes Interest Reset Date”).

In respect of the Floating Rate Notes, from (and including) the Issue Date to (but excluding) maturity, the interest rate on the Floating Rate Notes will be equal to the three-month U.S. dollar LIBOR, as determined by the Calculation Agent on the applicable Floating Rate Notes Interest Determination Date (as defined below), plus 1.470% per annum (the “Floating Rate Notes Interest Rate”) accruing from May 15, 2017, to (but excluding) maturity. Interest on the Floating Rate Notes will be payable quarterly in arrear on February 15, May 15, August 15 and November 15 of each year, beginning on August 15, 2017 and ending on maturity (each, a “Floating Rate Notes Interest Payment Date” and, together with each Fixed/Floating Rate Notes Interest Payment Date, each an “Interest Payment Date”). The interest rate applicable to the Floating Rate Notes will be reset quarterly on February 15, May 15, August 15 and November 15, beginning on May 15, 2017 (each, a “Floating Rate Notes Interest Reset Date”, and, together with each Fixed/Floating Rate Notes Interest Reset Date, each an “Interest Reset Date”).

For the Fixed/Floating Rate Notes during Fixed/Floating Rate Notes Fixed Rate Period:

Interest will be calculated on the basis of twelve 30-day months or, in the case of an incomplete month, the actual number of days elapsed, in each case assuming a 360-day year.

If any scheduled interest payment date is not a business day, such interest payment date will be postponed to the next day that is a business day, but interest on that payment will not accrue during the period from and after the scheduled interest payment date.

For the Fixed/Floating Rate Notes during the Fixed/Floating Rate Notes Floating Rate Period and for the Floating Rate Notes:

Interest will be calculated on the basis of the actual number of days in each interest period, assuming a 360-day year. An interest period will be (i) in respect of the Fixed/Floating Rate Notes, the period beginning on (and including) a Fixed/Floating Rate Notes Floating Rate Period Interest Payment Date and ending on (but excluding) the next succeeding Fixed/Floating Rate Notes Floating Rate Period Interest Payment Date *provided* that the first floating rate interest period of the Fixed/Floating Rate Notes will begin on May 15, 2022 and will end on (but exclude) the first Fixed/Floating Rate Notes Floating Rate Period Interest Payment Date and (ii) in respect of the Floating Rate Notes, the period beginning on (and including) a Floating Rate Notes Interest Payment Date and ending on (but excluding) the next succeeding Floating Rate Notes Interest Payment Date *provided* that the first floating rate interest period of the Floating Rate Notes will begin on the Issue Date and will end on (but exclude) the first Floating Rate Notes Interest Payment Date.

S-24

If any scheduled Interest Reset Date or Floating Rate Interest Payment Date (other than the relevant maturity date for a series of Senior Notes) is not a business day, such Interest Reset Date or Floating Rate Interest Payment Date will be postponed to the next day that is a business day *provided* that if that business day falls in the next succeeding calendar month, such Interest Reset Date or Floating Rate Interest Payment Date will be the immediately preceding business day. If any such Floating Rate Interest Payment Date (other than the relevant maturity date for a series of Senior Notes) is postponed or brought forward as described above, the payment of interest due on such postponed or brought forward Floating Rate Interest Payment Date will include interest accrued to but excluding such postponed or brought forward Floating Rate Interest Payment Date.

If the scheduled maturity date or date of redemption (in the circumstances described in “—*Tax Redemption*”, “—*Loss Absorption Disqualification Event*” and “—*Optional Redemption*” below) or repayment is not a business day, we may pay interest and principal on the next succeeding business day, but interest on that payment will not accrue during the period from and after the scheduled maturity date or date of redemption or repayment.

A “**business day**” means any day, other than Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorised or required by law or regulation to close in the City of New York or in the City of London.

An “**Interest Determination Date**” means either a Fixed/Floating Rate Notes Interest Determination Date or a Floating Rate Notes Interest Determination Date, as applicable.

A “**Fixed/Floating Rate Notes Interest Determination Date**” means the second London banking day preceding each applicable Fixed/Floating Rate Notes Interest Reset Date.

A “**Floating Rate Notes Interest Determination Date**” means the second London banking day preceding each applicable Floating Rate Notes Interest Reset Date.

A “**Floating Rate Interest Payment Date**” means either a Fixed/Floating Rate Notes Floating Rate Period Interest Payment Date or a Floating Rate Notes Interest Payment Date, as applicable.

“**London banking day**” means any day on which dealings in U.S. dollars are transacted in the London interbank market.

LIBOR

LIBOR will be determined by the Calculation Agent in accordance with the following provisions:

With respect to any Interest Determination Date, LIBOR will be the rate (expressed as a percentage per annum) for deposits in U.S. dollars having a maturity of three months commencing on the related Interest Reset Date that (1) appears on Reuters Page LIBOR01 as of 11:00 a.m., London time, on that Interest Determination Date. If no such rate appears, then LIBOR, in respect of that Interest Determination Date, will be determined in accordance with the provisions described in (2) below.

With respect to an Interest Determination Date on which no rate appears on Reuters Page LIBOR01 (as defined below), the Calculation Agent will request the principal London offices of each of four major reference banks in the London interbank market (which may include the Underwriters or their affiliates), as selected and identified by us, to provide its offered quotation (expressed as a percentage per annum) for deposits in U.S. dollars for the period of three months, commencing on the related Interest Reset Date, to prime banks in the London interbank market at approximately 11:00 a.m., London time, on that Interest Determination Date and in a principal amount that is representative for a single transaction in U.S. dollars in that market at that time. If at least two quotations are (2) provided, then LIBOR on that Interest Determination Date will be the arithmetic mean of those quotations. If fewer than two quotations are provided, then LIBOR on the Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 a.m., in the City of New York, on the Interest Determination Date by three major banks in the City of New York (which may include the Underwriters or their affiliates), as selected and identified by us, for loans in U.S. dollars to leading European banks, for a period of three months, commencing on the related Interest Reset Date, and in a principal amount that is representative for a single transaction in U.S. dollars in that market at that time. If at least two such rates are so provided, LIBOR on the Interest Determination Date will be the arithmetic mean of

such rates. If fewer than two such rates are so provided, LIBOR on the Interest Determination Date will be LIBOR in effect with respect to the immediately preceding Interest Determination Date or, in the case of the initial Interest Determination Date, (i) in respect of the Fixed/Floating Rate Notes, such rate as may be determined by such alternate method as reasonably selected by the Calculation Agent and (ii) in Interest Rate.

“**Reuters Page LIBOR01**” means the display that appears on Reuters Page LIBOR01 or any page as may replace such page on such service (or any successor service) for the purpose of displaying LIBOR of major banks for U.S. dollars.

All percentages resulting from any calculation of any interest rate on the Senior Notes will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one-millionths of a percentage point rounded upward, and all dollar amounts would be rounded to the nearest cent, with one-half cent being rounded upward.

Tax Redemption

Subject to the provisions described under “—*Notice of Redemption*” and “—*Conditions to Redemption and Repurchase*” below we may redeem the Senior Notes of any series in whole but not in part, (i) in respect of the Fixed/Floating Rate Notes, at any time during the Fixed/Floating Rate Notes Fixed Rate Period and thereafter only on a Fixed/Floating Rate Notes Floating Rate Period Interest Payment Date and (ii) in respect of the Floating Rate Notes, only on a Floating Rate Notes Interest Payment Date, in each case in the event of certain changes in the tax laws of the United Kingdom or any political subdivision or any authority thereof or therein having the power to tax and certain other limited circumstances. The circumstances in which we may redeem the Senior Notes of any series and the applicable procedures are described further in the accompanying prospectus under “*Description of Debt Securities—Redemption.*”

In the event of such a redemption, the redemption price of the Senior Notes of any series will be 100% of their principal amount together with any accrued but unpaid payments of interest to, but excluding, the date of redemption. If we elect to redeem the Senior Notes of any series, they will cease to accrue interest from the redemption date, unless we fail to pay the redemption price on the payment date.

Loss Absorption Disqualification Event Redemption

Subject to the provisions described under “—*Notice of Redemption*” and “—*Conditions to Redemption and Repurchase*” below we may redeem the Senior Notes of any series at our sole discretion, in whole but not in part, (i) in respect of the Fixed/Floating Rate Notes at any time during the Fixed/Floating Rate Notes Fixed Rate Period and thereafter only on a Fixed/Floating Rate Notes Floating Rate Period Interest Payment Date and (ii) in respect of the Floating Rate Notes,

only on a Floating Rate Notes Interest Payment Date, in each case, at 100% of their principal amount plus accrued but unpaid interest to, but excluding, the date of redemption, in the event we determine a Loss Absorption Disqualification Event has occurred and is continuing.

Before the publication of any notice of redemption pursuant to a Loss Absorption Disqualification Event, we shall deliver to the Trustee a certificate signed by two authorized signatories of RBSG stating that, in such signatories' belief, the condition for redemption has occurred and is continuing as at the date of the certificate, and the Trustee is entitled to conclusively rely on and shall accept such certificate as sufficient evidence of such occurrence, in which event it shall be conclusive and binding on the holders of the Senior Notes.

For these purposes:

A **"Loss Absorption Disqualification Event"** shall be deemed to have occurred if:

at the time that any Loss Absorption Regulation becomes effective, and as a result of such Loss Absorption Regulation becoming so effective, in each case with respect to us and/or the Regulatory Group, on or after the issue (i) date of the series of Senior Notes affected, the applicable Senior Notes of such series are or, in our opinion or in the opinion of the PRA are likely to be fully or partially excluded from our and/or the Regulatory Group's minimum requirements for (A) own funds and eligible liabilities and/or (B) loss absorbing capacity instruments; or

as a result of any amendment to, or change in, any Loss Absorption Regulation, or any change in the application or official interpretation of any Loss Absorption Regulation, in any such case becoming effective on or after the issue (ii) date of the series of Senior Notes affected, the applicable Senior Notes of such series are or, in our opinion or in the opinion of the PRA are likely to be, fully or partially excluded from our and/or the Regulatory Group's minimum requirements for (A) own funds and eligible liabilities and/or (B) loss absorbing capacity instruments,

in each case as such minimum requirements are applicable to us and/or the Regulatory Group and determined in accordance with, and pursuant to, the relevant Loss Absorption Regulations; *provided* that in the case of (i) and (ii) above, a Loss Absorption Disqualification Event shall not occur where the exclusion of the relevant series of Senior Notes from the relevant minimum requirement(s) is due to the remaining maturity of the relevant series of Senior Notes being less than any period prescribed by any applicable eligibility criteria for such minimum requirements under the relevant Loss Absorption Regulations effective with respect to us and/or the Regulatory Group on the issue date of the relevant series of Senior Notes.

“Loss Absorption Regulations” means, at any time, the laws, regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments of the United Kingdom, the PRA, the United Kingdom resolution authority, the Financial Stability Board and/or of the European Parliament or of the Council of the European Union then in effect in the United Kingdom including, without limitation to the generality of the foregoing, any delegated or implementing acts (such as regulatory technical standards) adopted by the European Commission and any regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments adopted by the PRA (whether or not such regulations, requirements, guidelines, rules, standards or policies are applied generally or specifically to us or to the Regulatory Group).

“PRA” means the UK Prudential Regulation Authority and/or such other governmental authority in the United Kingdom having primary supervisory authority with respect to our business.

“Regulatory Group” means us, our subsidiary undertakings, participations, participating interests and any subsidiary undertakings, participations or participating interests held (directly or indirectly) by any of our subsidiary undertakings from time to time and any other undertakings from time to time consolidated with us for regulatory purposes, in each case in accordance with the rules and guidance of the PRA then in effect.

Optional Redemption

Subject to the provisions described under “—*Notice of Redemption*” and “—*Conditions to Redemption and Repurchase*” below we may redeem the Senior Notes of the applicable series at our sole discretion, in whole but not in part, on May 15, 2022 (the “Optional Redemption Date”) at 100% of their principal amount plus accrued but unpaid interest to, but

excluding, the date of redemption.

The Senior Notes will not be redeemable at the option of the holders at any time.

Notice of Redemption

If we elect to redeem the Senior Notes of any series at our option on the Optional Redemption Date for such series or due to the occurrence of a tax law change or a Loss Absorption Disqualification Event, we will give holders of the Senior Notes of such series not less than five (5) business days or more than 60 calendar days' notice in accordance with "*—Notices*" below, and to the Trustee at least five (5) business days prior to such date, unless a shorter notice period shall be satisfactory to the Trustee. Except as otherwise provided herein, such notice shall be irrevocable but may be conditioned on the occurrence of any event or circumstance.

Any redemption notice will state:

the redemption date;

the redemption price;

that, and subject to what conditions, the redemption price will become due and payable on the redemption date and that payments will cease to accrue on such date;

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

the CUSIP, Common Code and/or ISIN number or numbers, if any, with respect to such series of Senior Notes.

If we have elected to redeem Senior Notes of any series but prior to the payment of the redemption amount with respect to such redemption the relevant U.K. resolution authority exercises its U.K. Bail-in power in respect of the relevant series of Senior Notes, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect, and no payment of the redemption amount will be due and payable.

Conditions to Redemption and Repurchase

Notwithstanding any other provision, we may only redeem Senior Notes of any series prior to the maturity date or repurchase the Senior Notes of any series (and give notice thereof to the holders of such series of Senior Notes in the case of redemption) if we have obtained the prior consent of the PRA, to the extent such consent is at the relevant time and in the relevant circumstances required (if at all) by the Loss Absorption Regulations or applicable laws or regulations in effect in the United Kingdom.

Agreement with Respect to the Exercise of UK Bail-in Power

Notwithstanding any other agreements, arrangements, or understandings between us and any holder or beneficial owner of the Senior Notes, by its acquisition of Senior Notes, each holder and beneficial owner of the Senior Notes acknowledges, accepts, agrees to be bound by and consents to the exercise of any UK bail-in power by the relevant UK resolution authority which may result in (i) the reduction or cancellation of all, or a portion, of the principal amount of, or interest on, the Senior Notes; (ii) the conversion of all, or a portion, of the principal amount of, or interest on, the Senior Notes into ordinary shares or other securities or other obligations of RBSG or another person; and/or (iii) the amendment or alteration of the maturity of the Senior Notes, or amendment of the amount of interest due on the Senior Notes, or the dates on which interest becomes payable, including by suspending payment for a temporary period; which UK bail-in power may be exercised by means of variation of the terms of the Senior Notes solely to give effect to the exercise by the relevant UK resolution authority of such UK bail-in power. Each holder and beneficial owner of the Senior Notes further acknowledges and agrees that the rights of the holders and/or beneficial owners under the Senior Notes are subject to, and will be varied, if necessary, solely to give effect to, the exercise of

any UK bail-in power by the relevant UK resolution authority.

For these purposes, a “UK bail-in power” is any write-down, conversion, transfer, modification or suspension power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, banking group companies, credit institutions and/or investment firms incorporated in the United Kingdom in effect and applicable in the United Kingdom to RBSG or other members of the Group, including but not limited to any such laws, regulations, rules or requirements which are implemented, adopted or enacted within the context of a European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms and/or within the context of a UK resolution regime under the Banking Act 2009, as the same has been or may be amended from time to time (whether pursuant to the UK Financial Services (Banking Reform) Act 2013 (the “Banking Reform Act 2013”), secondary legislation or otherwise, the “Banking Act”), pursuant to which any obligations of a bank, banking group company, credit institution or investment firm or any of its affiliates can be reduced, cancelled, modified, transferred and/or converted into shares or other securities or obligations of the obligor or any other person (or suspended for a temporary period) or pursuant to which any right in a contract governing such obligations may be deemed to have been exercised.

A reference to the “relevant UK resolution authority” is to any authority with the ability to exercise a UK bail-in power.

S-28

No repayment of the principal amount of the Senior Notes or payment of interest on the Senior Notes shall become due and payable after the exercise of any UK bail-in power by the relevant UK resolution authority unless, at the time that such repayment or payment, respectively, is scheduled to become due, such repayment or payment would be permitted to be made by us under the laws and regulations of the United Kingdom and the European Union applicable to us and the Group.

If we have elected to redeem the Senior Notes of any series but prior to the payment of the redemption amount with respect to such redemption the relevant UK resolution authority exercises its UK bail-in power with respect to the Senior Notes, the relevant redemption notices shall be automatically rescinded and shall be of no force and effect, and no payment of the redemption amount will be due and payable.

The exercise of any UK bail-in power by the relevant UK resolution authority shall not constitute a default or Event of Default under the terms of the Senior Notes or the Indenture.

In addition, by its acquisition of Senior Notes, each holder (including each beneficial holder) of the Senior Notes:

acknowledges and agrees that the exercise of the UK bail-in power by the relevant UK resolution authority with (i) respect to the Senior Notes shall not give rise to a Default or Event of Default for purposes of Section 315(b) (*Notice of Default*) and Section 315(c) (*Duties of the Trustee in Case of Default*) of the Trust Indenture Act;

to the extent permitted by the Trust Indenture Act, waives any and all claims against the Trustee for, agrees not to (ii) initiate a suit against the Trustee in respect of, and agrees that the Trustee shall not be liable for, any action that the Trustee takes, or abstains from taking, in either case in accordance with the exercise of the UK bail-in power by the relevant UK resolution authority with respect to the Senior Notes;

(iii) agrees that, upon the exercise of any UK bail-in power by the relevant UK resolution authority with respect to the Senior Notes,

the Trustee shall not be required to take any further directions from holders of the notes under Section 5.12 (*Control a. by Holders*) of the Indenture, which section authorises holders of a majority in aggregate outstanding principal amount of the notes to direct certain actions relating to the notes, and

b. the Indenture shall impose no duties upon the Trustee whatsoever with respect to the exercise of any UK bail-in power by the relevant UK resolution authority. Notwithstanding the foregoing, if, following the completion of the exercise of the UK bail-in power by the relevant UK resolution authority in respect of the Senior Notes, the Senior Notes remain outstanding (for example, if the exercise of the UK bail-in power results in only a partial write-down

of the principal of such Senior Notes), then the Trustee's duties under the Indenture shall remain applicable with respect to the Senior Notes following such completion to the extent that we and the Trustee shall agree pursuant to a supplemental indenture.

- (iv) shall be deemed to have (i) consented to the exercise of any UK bail-in power which may be imposed without any prior notice by the relevant UK resolution authority of its decision to exercise such power with respect to the Senior Notes and (ii) authorised, directed and requested DTC and any direct participant in DTC or other intermediary through which it holds such Senior Notes to take any and all necessary action, if required, to implement the exercise of any UK bail-in power with respect to the Senior Notes as it may be imposed, without any further action or direction on the part of such holder.

For a discussion of certain risk factors relating to the UK bail-in power, see "*Risk Factors—Risks relating to the Senior Notes*".

Upon the exercise of the UK bail-in power by the relevant UK resolution authority with respect to the Senior Notes, we shall provide a written notice to DTC as soon as practicable regarding such exercise of the UK bail-in power for purposes of notifying holders of such occurrence. We shall also deliver a copy of such notice to the Trustee for information purposes.

Events of Default and Defaults; Limitation of Remedies

Events of Default

An “Event of Default” with respect to the Senior Notes of a series shall only result if:

a court of competent jurisdiction makes an order for our winding up which is not successfully appealed within 30 days; or

an effective shareholders’ resolution is validly adopted for our winding up,

in each case other than under or in connection with a scheme of amalgamation or reconstruction not involving a bankruptcy or insolvency.

There are no other Events of Default under the Senior Notes. If an Event of Default with respect to Senior Notes of any series occurs and is continuing, the Trustee or the holder or holders of at least 25% in aggregate principal amount of the outstanding Senior Notes of such series may declare the principal amount of, and any accrued but unpaid interest on such Senior Notes 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 Senior Notes of such 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.

There are no other circumstances in which holders of Senior Notes or the Trustee may accelerate amounts to be paid in respect of the Senior Notes.

Default

A “Default” with respect to the Senior Notes of a series shall result if:

any installment of interest in respect of the Senior Notes of such series is not paid on or before the relevant Interest Payment Date and such failure continues for 14 days; or

all or any part of the principal amount of the Senior Notes of such series is not paid when it otherwise becomes due and payable, whether upon redemption or otherwise, and such failure continues for 7 days.

If a Default occurs and is continuing, the Trustee may commence a proceeding for our winding up, but the Trustee may not declare the principal amount of any outstanding Senior Notes of any series to be due and payable.

However and notwithstanding any other provisions, a failure to make any payment on the Senior Notes of any series shall not be a Default if it is withheld or refused, upon independent counsel's advice delivered to the Trustee, in order to comply with any applicable fiscal or other law or regulation or order of any court of competent jurisdiction. In such case, the Trustee may require us to take any action which, upon independent counsel's advice delivered to the Trustee, is appropriate and reasonable in the circumstances (including proceedings for a court declaration), in which case we shall immediately take and expeditiously proceed with the action and shall be bound by any final resolution resulting therefrom. 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 seven-day period after the Trustee gives written notice to us informing us of such determination.

Upon the occurrence of any Event of Default or Default, we shall give prompt written notice to the Trustee. In accordance with the Indenture, the Trustee may proceed to protect and enforce its rights and the rights of the holders of the Senior Notes whether in connection with any breach by us of our obligations under the Senior Notes, the Indenture or otherwise, including by judicial proceedings, provided that we shall not, as a result of any such action by the Trustee, be required to pay any amount representing or measured by reference to principal or interest on the Senior Notes of any series prior to any date on which the principal of, or any interest on, the Senior Notes of any such series would have otherwise been payable.

Other than the limited remedies specified above, no remedy against us shall be available to the Trustee or the holders of the Senior Notes whether for the recovery of amounts owing in respect of such Senior Notes or under the Indenture or in respect of any breach by us of our obligations under the Indenture or in respect of the Senior Notes, except that the Trustee and the holders shall have such rights and powers as they are entitled to have under the Trust Indenture Act of 1939 (the “Trust Indenture Act”), including the Trustee’s prior lien on any amounts collected following a Default or Event of Default for payment of the Trustee’s fees and expenses, and provided that any payments on the Senior Notes are subject to the subordination provisions set forth in the Indenture.

Notwithstanding any contrary provisions, nothing shall impair the right of a holder, absent the holder’s consent, to sue for any payments due but unpaid with respect to the Senior Notes.

The provisions described under “*Description of Debt Securities—Events of Default and Defaults; Limitation of Remedies*” in the accompanying prospectus do not apply to the Senior Notes.

Payment of Additional Amounts

The government of the United Kingdom or any political subdivision or any authority thereof or therein having the power to tax may require us to withhold or deduct amounts from payments on the Senior Notes for taxes or other governmental charges. If such a withholding or deduction is required, we may be required, subject to certain exceptions, to pay additional amounts such that the net amount paid to holders of the Senior Notes, after such deduction or withholding, equals the amount that would have been payable had no such withholding or deduction been required (“Additional Amounts”). For more information on Additional Amounts and the situations in which we must pay Additional Amounts, see “*Description of Debt Securities—Additional Amounts*” in the accompanying prospectus.

Whenever in this prospectus supplement there is mentioned, in the context of the Senior Notes, the payment of the principal, premium, if any, or interest on, or in respect of, any Senior Note, such mention shall be deemed to include mention of the payment of Additional Amounts referred to above and further described under “*Description of Debt Securities—Additional Amounts*” in the accompanying prospectus, to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof pursuant to the provisions of the Indenture and as if express mention of the payment of Additional Amounts (if applicable) were made in any provisions hereof where such express mention is not made.

In addition to the exceptions to our gross-up obligations set forth in the accompanying prospectus, we will not pay Additional Amounts in respect of any withholding or deduction required to be made pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (“FATCA”), any U.S. Treasury regulation issued

under FATCA or any official interpretations or guidance issued with respect thereto, any agreement with the U.S. Treasury entered into in connection with FATCA, any intergovernmental agreement entered into in connection with FATCA, or any law, regulation, or other official interpretation or guidance enacted, promulgated or issued in any jurisdiction to implement such an intergovernmental agreement.

Noteholder's Waiver of Right to Set-Off

By acquiring a Senior Note, each holder (and the Trustee acting on behalf of the holders) will be deemed to have waived to the fullest extent permitted by law any right of set-off, counterclaim or combination of accounts with respect to such Senior Note or the Indenture (or between our obligations under or in respect of any Senior Note and any liability owed by a holder) that they (or the Trustee acting on their behalf) might otherwise have against us, whether before or during our winding-up, liquidation or administration. Notwithstanding the above, if any such rights and claims of any such holder (or the Trustee acting on behalf of such holders) against us are discharged by set-off, such holder (or the Trustee acting on behalf of such holders) will immediately pay an amount equal to the amount of such discharge to us or, in the event of a winding-up, liquidation or administration, our liquidator or administrator (or other relevant insolvency official), as the case may be, to be held on trust for senior creditors, and until such time as payment is made will hold a sum equal to such amount on trust for senior creditors, and accordingly such discharge shall be deemed not to have taken place.

Trustee; Direction of Trustee

The Issuer's obligations to indemnify the Trustee in accordance with Section 6.07 of the Indenture shall survive the exercise of the UK bail-in power by the relevant UK resolution authority with respect to the Senior Notes.

By its acquisition of Senior Notes, each holder (including each beneficial holder) of the Senior Notes acknowledges and agrees that, upon the exercise of any UK bail-in power by the relevant UK resolution authority, (a) the Trustee shall not be required to take any further directions from holders of the Senior Notes under Section 5.12 (*Control by Holders*) of the Indenture, which authorises holders of a majority in aggregate outstanding principal amount of the Senior Notes to direct certain actions relating to the Senior Notes, and (b) neither the Base Indenture nor the Supplemental Indenture shall impose any duties upon the Trustee whatsoever with respect to the exercise of any UK bail-in power by the relevant UK resolution authority. Notwithstanding the foregoing, if, following the completion of the exercise of the UK bail-in power by the relevant UK resolution authority, the Senior Notes remain outstanding (for example, if the exercise of the UK bail-in power results in only a partial write-down of the principal of the Senior Notes), then the Trustee's duties under the Indenture shall remain applicable with respect to the Senior Notes following such completion to the extent that the Issuer and the Trustee shall agree pursuant to a supplemental indenture or an amendment to the Indenture.

In addition to the foregoing, the Trustee may decline to act or accept direction from holders unless it receives written direction from holders representing a majority in aggregate principal amount of the Senior Notes and security and/or indemnity satisfactory to the Trustee in its sole discretion. The Indenture shall not be deemed to require the Trustee to take any action which may conflict with applicable law, or which may be unjustly prejudicial to the holders not taking part in the direction, or which would subject the Trustee to undue risk or for which it is not indemnified to its satisfaction in its sole discretion.

The Trustee makes no representations regarding, and shall not be liable with respect to, the information set forth in this prospectus supplement.

See "*—Events of Default and Defaults; Limitation of Remedies*" above for a description of the Trustee's procedures and remedies available in connection with an Event of Default or Default.

Notices

All notices regarding any series of Senior Notes will be deemed to be validly given if sent by first-class mail to the holders of the Senior Notes at their addresses recorded in the register.

Until such time as any definitive securities are issued, there may, so long as any Global Notes representing the Senior Notes are held in their entirety on behalf of DTC, be substituted for such notice by first-class mail the delivery of the relevant notice to DTC for communication by them to the holders of the Senior Notes, in accordance with DTC's applicable procedures. Neither the failure to give any notice to a particular holder, nor any defect in a notice given to a particular holder, will affect the sufficiency of any notice given to another holder.

Notices to be given by any holders of the Senior Notes to the Trustee shall be in writing to the Trustee at its corporate trust office. While any of the Senior Notes are represented by a Global Note, such notice may be given by any holder to the Trustee through DTC in such manner as DTC may approve for this purpose.

Subsequent Holders' Agreement

Holders of the Senior Notes that acquire the Senior Notes in the secondary market shall be deemed to acknowledge, agree to be bound by and consent to the same provisions specified herein to the same extent as the holders and beneficial owners of the Senior Notes that acquire the Senior Notes upon their initial issuance, including, without limitation, with respect to the acknowledgement and agreement to be bound by and consent to the terms of the Senior Notes related to the UK bail-in power.

Governing Law

The Senior Notes and the Indenture will be governed by and construed in accordance with the laws of the State of New York.

Listing

We intend to apply for the listing of each series of the Senior Notes on the New York Stock Exchange in accordance with its rules.

UK AND U.S. FEDERAL TAX CONSEQUENCES

The following is a summary of material UK and U.S. federal income tax consequences of the ownership and disposition of the Senior Notes by a “U.S. holder” described below, that is not connected with us for relevant tax purposes, that holds the Senior Notes as capital assets and that purchases the Senior Notes in their initial offering at their “issue price,” which will be equal to the first price at which a substantial amount of the Senior Notes is sold for money to the public (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). For purposes of this discussion, a “U.S. holder” is a beneficial owner of a Senior Note that is for U.S. federal income tax purposes (i) a citizen or individual resident of the United States, (ii) 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, any state thereof or the District of Columbia, or (iii) an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

This discussion does not describe all of the tax consequences that may be relevant to U.S. holders in light of their particular circumstances, including alternative minimum tax or Medicare contribution tax consequences, as well as differing tax consequences that might apply to holders subject to special rules, such as:

- persons who are resident in the UK or are temporary non-residents of the UK for UK tax purposes;
- certain financial institutions;
- insurance companies;
- dealers or traders in securities or foreign currencies subject to mark-to-market method of tax accounting with respect to the Senior Notes;
- persons holding Senior Notes as part of a hedge or other integrated transaction;
- persons whose functional currency is not the U.S. dollar;
- partnerships or other entities or arrangements classified as partnerships for U.S. federal income tax purposes; or
- persons carrying on a trade in the UK through a permanent establishment in the UK or carrying on a trade, profession or vocation in the UK through a branch or agency in the UK.

If a partnership or other entity or arrangement classified as a partnership for U.S. federal income tax purposes holds a Senior Note, the U.S. federal income tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partnership or partner of a partnership holding a Senior Note should consult its tax advisor.

The statements regarding UK and U.S. tax laws and practices set out below, including those regarding the UK/U.S. double taxation convention relating to tax on income and capital gains (the “Treaty”), are based on those laws, practices and conventions as of the date of this prospectus supplement. They are subject to changes in those laws, practices and conventions, and any relevant judicial decision which, in each case, may have retroactive effect. This summary is not exhaustive of all possible tax considerations that may be relevant in the particular circumstances of each U.S. holder. In particular, this summary does not deal with the tax treatment of any Senior Note following any exercise of the UK bail-in power. You should satisfy yourself as to the tax consequences in your own particular circumstances of the acquisition, ownership and disposition of the Senior Notes.

United Kingdom

Payments of Interest. Interest that we pay on the Senior Notes will not be subject to withholding or deduction for or on account of UK tax, provided that the Senior Notes are and remain listed on the New York Stock Exchange or some other “recognised stock exchange” within the meaning of Section 1005 of the Income Tax Act 2007.

In all other cases, a sum on account of UK income tax must generally be withheld at the basic rate (currently 20%), unless one of certain exceptions relating to the status of the holder applies. In particular, certain U.S. holders will be entitled to receive payments free of withholding on account of UK income tax under the Treaty and will under current HM Revenue & Customs (“HMRC”) administrative procedures be able to make a claim for the issuance of a direction by HMRC to this effect. However, such directions will be issued only on prior application to the relevant tax authorities by the holder in question. If such a direction is not given, we will generally be required to withhold tax, although a U.S. holder entitled to relief under the Treaty may subsequently claim the amount withheld from HMRC.

Payments of interest on the Senior Notes constitute UK-source income for UK tax purposes and, as such, may be subject to UK tax by direct assessment, irrespective of the residence of the holder. Where the payments are made without withholding on account of UK tax, the payments will not be assessed to UK tax if you are not resident in the UK for tax purposes, except if you carry on a trade, profession or vocation in the UK through a UK branch or agency, or in the case of a corporate U.S. holder, if you carry on a trade in the UK through a permanent establishment in the UK in connection with which the payments are received or to which the Senior Notes are attributable, in which case (subject to exemptions for payments received by certain categories of agent) tax may be levied on the UK branch or agency or permanent establishment.

Any person in the UK paying interest to, or receiving interest on behalf of, certain other persons, may be required to provide information in relation to the payment (including the name and address of the beneficial owner of the interest, whether or not resident in the UK) to HMRC. HMRC may communicate this information to the tax authorities of other jurisdictions.

Disposal (Including Redemption). Subject to the provisions set out in the next paragraph in relation to temporary non-residents, a U.S. holder will not, upon disposal (including redemption) of a Senior Note, be liable for UK taxation on gains realized, unless at the relevant time the U.S. holder is resident for tax purposes in the UK or carries on a trade, profession or vocation in the UK through a branch or agency in the UK or, in the case of a corporate U.S. holder, if the U.S. holder carries on a trade in the UK through a permanent establishment in the UK and the Senior Note was used in or for the purposes of the trade, profession or vocation or acquired for use and used by or held for the purposes of that branch or agency or permanent establishment.

A U.S. holder who is an individual and who has ceased to be resident for tax purposes in the UK for a period of five tax years or less and who disposes of a Senior Note during that period may be liable to UK tax on chargeable gains arising during the period of absence in respect of the disposal (including redemption), subject to any available exemption or relief.

A U.S. holder who is an individual or other taxpayer not subject to corporation tax will not, upon transfer or redemption of a Senior Note of any series, recognise any UK income tax charge on accrued but unpaid payments of interest, unless the U.S. holder at any time in the relevant tax year was resident for tax purposes in the UK or carried

on a trade, profession or vocation in the UK through a branch or agency to which the Senior Note is attributable.

Annual Tax Charges. Corporate U.S. holders who are not resident for tax purposes in the UK and who do not carry on a trade in the UK through a permanent establishment in the UK to which the Senior Notes are attributable will not be liable to UK tax charges or relief by reference to fluctuations in exchange rates or in respect of profits, gains and losses arising from the Senior Notes.

Stamp Duty and Stamp Duty Reserve Tax. No UK stamp duty should be payable on the issue of the Senior Notes into a clearance service or depositary receipt arrangement.

UK SDRT may arise on the issue, and UK SDRT or UK stamp duty may arise on the transfer, of the Senior Notes into a clearance service or depositary receipt arrangement, in each case, at a rate of 1.5%. However, following litigation, HMRC have confirmed that it will not collect such SDRT on the issue, or (where integral to the raising of capital) the transfer, of the Senior Notes into a clearance service or depositary receipt arrangement on the basis that the charge is not compatible with European law, provided that the Senior Notes comprise loans raised by the issue of debentures or other negotiable securities for the purposes of Article 5(2)(b) of the Capital Duty Directive (2008/7/EC).

No UK stamp duty should be required to be paid on the transfer of the Senior Notes within a clearance service or depositary receipt arrangement provided that no instrument is used to effect the transfer. No UK SDRT should be payable on the transfer of the Senior Notes within a clearance service or depositary receipt arrangement provided that no election has been made under which the alternative system of charge (as provided for in section 97A Finance Act 1986) applies to the Senior Notes.

No UK stamp duty or SDRT should be payable on the redemption of the Senior Notes.

United States

General

Floating Rate Notes. The Floating Rate Notes should be treated as “variable rate debt instruments” that provide for stated interest at a single qualified floating rate (“QFR”) for U.S. federal income tax purposes. It is expected, and this disclosure assumes, that the Floating Rate Notes will not be issued with original issue discount (“OID”).

Fixed/Floating Rate Notes. The Fixed/Floating Rate Notes should be treated as “variable rate debt instruments” that provide for stated interest at a single fixed rate followed by a QFR for U.S. federal income tax purposes.

Under the Treasury Regulations applicable to variable rate debt instruments, in order to determine the amount of OID, if any, and qualified stated interest (“QSI”) in respect of the Fixed/Floating Rate Notes, an equivalent fixed rate debt instrument must be constructed. The equivalent fixed rate debt instrument is constructed in the following manner: (i) first, the initial fixed rate is converted to a QFR that would preserve the fair market value of the Fixed/Floating Rate Notes, and (ii) second, each QFR (including the QFR determined under clause (i) above) is converted to a fixed rate substitute (which generally will be the value of that QFR as of the issue date of the Fixed/Floating Rate Notes). Under the applicable Treasury Regulations, the Fixed/Floating Rate Notes generally will be treated as providing for QSI at a rate equal to the lowest rate of interest in effect at any time under the equivalent fixed rate debt instrument, and any interest under the equivalent fixed rate debt instrument in excess of that rate generally would be treated as part of the stated redemption price at maturity and, therefore, as giving rise to OID. Based on the application of these rules to the Fixed/Floating Rate Notes and the expected issue price of the Fixed/Floating Rate Notes, we do not expect the notes to be treated as issued with OID. The remaining discussion assumes this treatment.

Stated Interest. Stated interest on a Senior Note (including any UK tax withheld) will be includable in income by a U.S. holder as ordinary interest income at the time it accrues or is received in accordance with the U.S. holder’s

method of accounting for U.S. federal income tax purposes. Interest income from the Senior Notes (including any UK tax withheld) will constitute foreign source income, which may be relevant to a U.S. holder in calculating the U.S. holder's foreign tax credit limitation. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income.

Sale, Exchange or Redemption. A U.S. holder will, upon the sale, exchange or redemption of a Senior Note, generally recognize capital gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount realized (not including amounts attributable to accrued interest as described above, which will be treated as a payment of interest) and the U.S. holder's tax basis in the Senior Note. A U.S. holder's tax basis in a Senior Note generally will equal the cost of the Senior Note to the U.S. holder. Any gain or loss will generally be U.S. source capital gain or loss and will be treated as long-term capital gain or loss if the Senior Note has been held for more than one year at the time of disposition. Long-term capital gains recognised by non-corporate U.S. holders are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Backup Withholding and Information Reporting. Information returns may be filed with the Internal Revenue Service in connection with payments on the Senior Notes and the proceeds from a sale or other disposition of the Senior Notes. A U.S. holder may be subject to U.S. backup withholding at a current rate of 28% on these payments and proceeds if the U.S. holder fails to provide its taxpayer identification number and comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment to a U.S. holder will be allowed as a credit against the U.S. holder's U.S. federal income tax liability and may entitle the U.S. holder to a refund, provided that the required information is timely furnished to the Internal Revenue Service.

Certain U.S. holders who are individuals (or entities closely-held by individuals) may be required to report information relating to non-U.S. accounts through which the U.S. holders may hold their Senior Notes (or information regarding the Senior Notes if the Senior Notes are not held through any financial institution). U.S. holders should consult their tax advisors regarding their reporting obligations with respect to the Senior Notes.

S-36

UNDERWRITING/CONFLICTS OF INTEREST

We and the underwriters for the offering named below (the “Underwriters”) have entered into an underwriting agreement and a pricing agreement with respect to the Senior Notes. Subject to certain conditions, we have agreed to sell to the Underwriters and each Underwriter has severally agreed to purchase the respective principal amounts of the Senior Notes indicated opposite such Underwriter’s name in the following table.

<u>Underwriters</u>	Principal Amount of Fixed/Floating Rate Notes	Principal Amount of Floating Rate Notes
Credit Suisse Securities (USA) LLC	\$ 300,000,000	\$ 300,000,000
Morgan Stanley & Co. LLC	\$ 300,000,000	\$ 300,000,000
RBS Securities Inc. (marketing name “NatWest Markets”)	\$ 570,000,000	\$ 570,000,000
UBS Securities LLC	\$ 300,000,000	\$ 300,000,000
CIBC World Markets Corp.	\$ 15,000,000	\$ 15,000,000
Swedbank AB (publ)	\$ 15,000,000	\$ 15,000,000
Total	\$ 1,500,000,000	\$ 1,500,000,000

The underwriting agreement and the pricing agreement provide that the obligations of the Underwriters are subject to certain conditions precedent and that the Underwriters have undertaken to purchase all the Senior Notes offered by this prospectus supplement if any of these Senior Notes are purchased.

The Senior Notes sold by the Underwriters to the public will initially be offered at the initial public offering prices set forth on the cover of this prospectus supplement. If all the Senior Notes are not sold at the initial public offering prices, the Underwriters may change the offering prices and the other selling terms.

We intend to apply for the listing of each series of the Senior Notes on the New York Stock Exchange. Each series of the Senior Notes is a new issue of securities with no established trading market. We have been advised by the Underwriters that the Underwriters intend to make a market in the Senior Notes, but they are not obligated to do so and may discontinue market-making at any time without notice. No assurance can be given as to the liquidity of the trading markets for the Senior Notes.

The Senior Notes will settle through the facilities of the DTC and its participants (including Euroclear and Clearstream Banking). The CUSIP number for the Fixed/Floating Rate Notes is 780097 BE0 and the ISIN is

US780097BE04. The CUSIP number for the Floating Rate Notes is 780097 BF7 and the ISIN is US780097BF78.

Certain of the Underwriters may not be U.S. registered broker-dealers and accordingly will not effect any sales within the United States except in compliance with applicable U.S. laws and regulations, including the rules of the Financial Industry Regulatory Authority (“FINRA”). Swedbank AB (publ) is not a U.S. registered broker-dealer, and it will not effect any offers or sales of any Senior Notes in the United States.

We estimate that our total expenses for the offering, excluding underwriting commissions, will be approximately \$820,000.

We have agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the US Securities Act of 1933, as amended.

It is expected that delivery of the Senior Notes 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 third Business Day following the date of pricing of the Senior Notes (such settlement cycle being referred to as “T+3”).

Conflicts of Interest

RBSSI, an affiliate of RBSG, is a FINRA member and an Underwriter in this offering, has a “conflict of interest” within the meaning of FINRA Rule 5121. Accordingly, this offering will be made in compliance with the applicable provisions of FINRA Rule 5121. RBSSI is not permitted to sell Senior Notes in this offering to an

account over which it exercises discretionary authority without the prior specific written approval of the account holder.

Some of the Underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions. In addition, in the ordinary course of their business activities, the Underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Certain of the Underwriters or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such Underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Senior Notes. Any such short positions could adversely affect future trading prices of the Senior Notes. The Underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

In connection with the offering, the Underwriters are not acting for anyone other than us and will not be responsible to anyone other than us for providing the protections afforded to their clients nor for providing advice in relation to the offering.

Stabilization Transactions and Short Sales

In connection with the offering, the Underwriters may purchase and sell Senior Notes in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the Underwriters of a greater aggregate principal amount of Senior Notes than they are required to purchase from us in the offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Senior Notes while the offering is in progress, or, for a limited time after the Issue Date, over-allotment of the Senior Notes or transactions with a view to supporting the market price of the Senior Notes at a level higher than that which might otherwise prevail. However, there is no obligation or assurance that any Underwriter (or any person acting on behalf of such Underwriter) will undertake any such stabilization action. Any such stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Senior Notes is made, and, if begun, may be ended at any time, but it must end no later than 30 days after the date on which the Issuer received the proceeds of the issue, or no later than 60 days after the date of allotment of the relevant Senior Notes, whichever is the earlier.

The Underwriters may also impose a penalty bid. This occurs when a particular Underwriter repays to the other Underwriters a portion of the underwriting discount received by it because the other Underwriters have repurchased Senior Notes sold by or for the account of such Underwriter in stabilizing or short-covering transactions.

These activities by the Underwriters may stabilize, maintain or otherwise affect the market price of the Senior Notes. As a result, the price of the Senior Notes may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Underwriters at any time and stabilizing transactions must be brought to an end after a limited period. These transactions may be effected on the New York Stock Exchange, in the over-the-counter market or otherwise.

Selling Restrictions

United Kingdom

This prospectus supplement is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “Financial Promotion Order”), (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc.”) of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the UK Financial Services and Markets Act 2000 (“FSMA”)) in

connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). This prospectus supplement is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this prospectus supplement relates is available only to relevant persons and will be engaged in only with relevant persons.

Each Underwriter has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Senior Notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Senior Notes in, from or otherwise involving the United Kingdom.

European Economic Area

This prospectus supplement has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of the Senior Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Senior Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Senior Notes which are the subject of an offering contemplated in this prospectus supplement may only do so (i) in circumstances in which no obligation arises for us or any Underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by a prospectus supplement which specifies that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State, such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or prospectus supplement, as applicable, and we have consented in writing to its use for the purpose of such offer. Except to the extent sub-paragraph (ii) above may apply, neither we nor any Underwriter have authorised, nor authorise, the making of any offer of Senior Notes in circumstances in which an obligation arises for us or any Underwriter to publish or supplement a prospectus for such offer.

In relation to each Relevant Member State, each Underwriter has severally 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 Senior Notes to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the other Underwriters nominated by us for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Senior Notes shall require us or any Underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or a supplemental prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this section, the expression “an offer of the Senior Notes to the public” in relation to any Senior Notes 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 Senior Notes to be offered so as to enable an investor to decide to purchase or subscribe the Senior Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression “Prospectus Directive” means

Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Hong Kong

The Senior Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32, Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap.571, The Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the Senior Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Senior Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance and any rules made thereunder.

Japan

The Senior Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1919, as amended) (the “FIEL”) and, accordingly, will not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time.

Malaysia

Each Underwriter has acknowledged that no lodgement of the relevant documents with the Securities Commission Malaysia (“SC”) has been or will be made and no approval from the SC under the Capital Markets and Services Act 2007 of Malaysia (“CMSA”) has been or will be obtained and this prospectus supplement has not been nor will it be registered with the SC as a prospectus under the CMSA for the offering or issuance of the Senior Notes on the basis that the Senior Notes will be offered or sold exclusively to persons outside Malaysia. Accordingly, each Underwriter has represented and warranted and agrees that it has not offered or sold any Senior Notes or caused such Senior Notes

to be made the subject of an invitation for subscription or purchase nor will it offer or sell such Senior Notes or cause such Senior Notes to be made the subject of an invitation for subscription or purchase, nor has it circulated or distributed, nor will it circulate or distribute, either this prospectus supplement or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Senior Notes, whether directly or indirectly, to any person in Malaysia.

Singapore

This prospectus supplement and accompanying prospectus have not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus supplement and accompanying prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Senior Notes may not be circulated or distributed, nor may the Senior Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined under Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA")) under Section 274 of the Securities and Futures Act (Chapter 289) (the "SFA"), (ii) to a relevant person (as defined under Section 275(2) of the SFA), or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Senior Notes are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

S-40

a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which (a) is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, then

“securities” (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferrable for six months after that corporation or that trust has acquired the Senior Notes pursuant to an offer made under Section 275 of the SFA except:

to an institutional investor under Section 274 of the SFA or to a relevant person, or (in the case of a corporation) (i) where the transfer arises from an offer referred to in Section 276(3)(i)(B) of the SFA or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law.

South Korea

Each Underwriter has, severally, but not jointly, represented, warranted and agreed that it has not and will not, directly or indirectly, offer, sell or deliver any Senior Notes in Korea or to, or for the account or benefit of, any resident of Korea (as such term is defined in the FETL), or to others for reoffering or resale, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea (as such term is defined in the FETL), except as otherwise permitted by applicable Korean laws and regulations, including the Financial Investment Services and Capital Markets Act and the FETL) and the decrees and regulations thereunder. The Senior Notes have not been registered with the Financial Services Commission of Korea for public offering in Korea. Furthermore, the Senior Notes may not be re-sold to Korean residents unless the purchaser of the Senior Notes complies with all applicable regulatory requirements (including but not limited to government approval requirements under the FETL and its subordinate decrees and regulations) in connection with their purchase. The aggregate number of Senior Notes offered in Korea or to a resident in Korea, shall in each case be less than 50. By purchasing the Senior Notes, each noteholder will be deemed to represent, warrant and agree that for a period of one year from the Issue Date thereof, the Senior Notes, may not be sub-divided or re-denominated so as to result in increasing the aggregate number of Senior Notes to 50 or more.

Switzerland

This prospectus supplement, as well as any other material relating to the Senior Notes which are the subject of the offering contemplated by this prospectus supplement and the accompanying prospectus, do not constitute an issue prospectus pursuant to Articles 652a and/or 1156 of the Swiss Code of Obligations. The Senior Notes will not be listed on the SIX Swiss Exchange and, therefore, the documents relating to the Senior Notes, including, but not limited to, this prospectus supplement, do not claim to comply with the disclosure standards of the listing rules of the SIX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange. The Senior Notes are being offered in Switzerland by way of a private placement, *i.e.*, to a small number of selected investors only, without any public offer and only to investors who do not purchase the Senior Notes with the intention to distribute them to the public. The investors will be individually approached by us from time to time. This prospectus supplement as well as any other material relating to the Senior Notes is personal and confidential and does not constitute an offer to any other person. This prospectus supplement may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without our express consent. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

Taiwan

The Senior Notes have not been and will not be registered or filed with, or approved by, the Financial Supervisory Commission of the ROC and/or other regulatory authority of the ROC pursuant to relevant securities laws and regulations and may not be sold, issued or offered within the ROC through a public offering or in

circumstances which constitute an offer within the meaning of the Securities and Exchange Act of the ROC or relevant laws and regulations that requires a registration, filing or approval of the Financial Supervisory Commission of the ROC and/or other regulatory authority of the ROC. No person or entity in the ROC has been authorized to offer or sell the Notes in the ROC.

Canada

The Senior Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Senior Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus supplement (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* ("NI 33-105"), the Underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Other Jurisdictions outside the United States

No action may be taken in any jurisdiction other than the United States that would permit a public offering of the Senior Notes or the possession, circulation or distribution of this prospectus supplement in any jurisdiction where action for that purpose is required. Accordingly, the Senior Notes may not be offered or sold, directly or indirectly, and neither this prospectus supplement nor any other offering material or advertisements in connection with the Senior Notes may be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

S-42

LEGAL OPINIONS

Our U.S. counsel, Davis Polk & Wardwell London LLP, and U.S. counsel for the Underwriters, Shearman & Sterling (London) LLP, will pass upon certain United States legal matters relating to the Senior Notes. Our Scottish solicitors, CMS Cameron McKenna LLP, will pass upon certain matters of Scots law relating to the issue and sale of the Senior Notes. Our English solicitors, Linklaters LLP, will pass upon certain matters of English law relating to the issue and sale of the Senior Notes, and Davis Polk & Wardwell London LLP will pass upon certain tax matters of English law relating to the Senior Notes.

S-43

EXPERTS

Our consolidated financial statements as at December 31, 2016 and for the year ended December 31, 2016, and the effectiveness of RBSG's internal control over financial reporting, incorporated in this prospectus by reference from RBSG's 2016 Annual Report filed with the SEC on Form 20-F (the "2016 20-F"), have been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference. The report (1) expresses an unqualified opinion on RBSG's consolidated financial statements and (2) expresses an unqualified opinion on the effectiveness of internal control over RBSG's financial reporting.

Our consolidated financial statements as at December 31, 2015 and for the years ended December 31, 2015 and 2014, incorporated in this prospectus by reference from RBSG's 2016 20-F, have been audited by Deloitte LLP, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference. The report expresses an unqualified opinion on RBSG's consolidated financial statements and includes an explanatory paragraph stating that Note 42 to the consolidated financial statements was added for the inclusion of consolidating financial information in respect of RBS plc in accordance with Regulation S-X Rule 3-10

Such consolidated financial statements have been so incorporated in reliance upon the reports of such firms given upon their authority as experts in accounting and auditing.

PROSPECTUS

THE ROYAL BANK OF SCOTLAND GROUP plc

By this prospectus we may offer —

DEBT SECURITIES
DOLLAR PREFERENCE SHARES
CONTINGENT CONVERTIBLE SECURITIES
ORDINARY SHARES

THE ROYAL BANK OF SCOTLAND plc

fully and unconditionally guaranteed by THE ROYAL BANK OF SCOTLAND GROUP plc

By this prospectus we may offer —

DEBT SECURITIES

The Royal Bank of Scotland Group plc may use this prospectus to offer from time to time debt securities, including senior debt securities, subordinated debt securities and capital securities, dollar preference shares, directly or in the form of American Depositary Shares, contingent convertible securities and ordinary shares (in the form of American Depositary Shares). Our American Depositary Shares, or ADSs, each representing two ordinary shares (or a right to receive two ordinary shares), are listed on the New York Stock Exchange under the symbol “RBS”. In addition, our ordinary shares are listed on the London Stock Exchange. Our series of American Depositary Shares representing non-cumulative dollar preference shares and evidenced by American Depositary Receipts (Series F, Series H, Series L, Series M, Series N, Series P, Series Q, Series R, Series S, Series T and Series U) are listed on the New York Stock Exchange.

The Royal Bank of Scotland plc (acting through its head office or any one of its branches) may use this prospectus to offer from time to time senior debt securities or subordinated debt securities. Such senior debt securities and subordinated debt securities will be fully and unconditionally guaranteed by The Royal Bank of Scotland Group plc.

We will provide the specific terms of these securities, and the manner in which they will be offered, in one or more supplements to this prospectus. Any supplement may also add, update or change information contained, or incorporated by reference, into this prospectus. You should read this prospectus and the applicable prospectus supplement carefully before you invest in our securities.

You should read both this prospectus and the applicable prospectus supplement, together with the additional information described under the headings “Where You Can Find More Information” and “Incorporation of Documents by Reference”, before investing in our securities. The amount and price of the offered securities will be determined at the time of the offering.

Investing in our securities involves risks that are described in the “Risk Factors” section of our annual and interim reports filed with the Securities and Exchange Commission or in the applicable prospectus supplement.

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 March 31, 2015.

TABLE OF CONTENTS

	Page
<u>About this Prospectus</u>	<u>1</u>
<u>Use of Proceeds</u>	<u>2</u>
<u>The Royal Bank of Scotland Group plc</u>	<u>2</u>
<u>The Royal Bank of Scotland plc</u>	<u>2</u>
<u>Description of Debt Securities</u>	<u>2</u>
<u>Description of Dollar Preference Shares</u>	<u>13</u>
<u>Description of Dollar Preference Share American Depositary Shares</u>	<u>20</u>
<u>Description of Contingent Convertible Securities</u>	<u>25</u>
<u>Description of Certain Provisions Relating to Debt Securities and Contingent Convertible Securities</u>	<u>32</u>
<u>Description of Ordinary Shares</u>	<u>38</u>
<u>Description of Ordinary Share American Depositary Shares</u>	<u>45</u>
<u>Plan of Distribution</u>	<u>51</u>
<u>Legal Opinions</u>	<u>52</u>
<u>Experts</u>	<u>53</u>
<u>Enforcement of Civil Liabilities</u>	<u>53</u>
<u>Where You Can Find More Information</u>	<u>53</u>
<u>Incorporation of Documents by Reference</u>	<u>54</u>
<u>Cautionary Statement on Forward-Looking Statements</u>	<u>54</u>

Table of Contents

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form F-3 that we filed with the 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 of an unspecified amount in one or more foreign currencies or currency units.

This prospectus provides you with a general description of the debt securities, dollar preference shares, contingent convertible securities and ordinary 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 headings “Where You Can Find More Information” and “Incorporation of Documents by Reference”.

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 term “RBSG” means The Royal Bank of Scotland Group plc and the term “Group” 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;
- the terms “we”, “our” and “us” refer to each of RBSG or RBS plc, as applicable, as issuer of the relevant securities;
- in the sections titled “Description of Dollar Preference Shares” and “Description of Dollar Preference Share American Depositary Shares”, the terms “we”, “our” and “us” refer to RBSG as issuer of the dollar preference shares;
- in the section titled “Description of Contingent Convertible Securities”, the terms “we”, “our”, and “us” refer to RBSG as issuer of the contingent convertible securities; and
- in the sections titled “Description of Ordinary Shares” and “Description of Ordinary Share American Depositary Shares”, the terms “we”, “our” and “us” refer to RBSG as issuer of the ordinary shares.

RBSG publishes its consolidated financial statements in pounds sterling (“£” or “sterling”), the lawful currency of the United Kingdom. In this prospectus and any prospectus supplement, references to “dollars” and “\$” are to United States dollars.

As permitted by Rule 12h-5 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), RBS plc does not file reports under the Exchange Act with the SEC. In accordance with Rule 3-10 of Regulation S-X under the Securities Act of 1933, as amended (the “Securities Act”), the Group’s financial statements include condensed consolidating financial information for RBS in a footnote to those financial statements.

Table of Contents

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 for general corporate purposes. 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 PLC

RBSG is a public limited company incorporated in Scotland with registration number SC045551. RBSG was incorporated under Scots law on March 25, 1968. RBSG is the holding company of a large global banking and financial services group. Headquartered in Edinburgh, the Group operates in the United Kingdom, the United States and internationally through its two principal subsidiaries, RBS and NatWest. Both RBS and NatWest are major U.K. clearing banks. In the United States, the Group's subsidiary Citizens Financial Group, Inc. is a large commercial banking organization. Globally, the Group has a diversified customer base and provides a wide range of products and services to personal, commercial and large corporate and institutional customers. At December 31, 2014, Her Majesty's Treasury's ("HM Treasury") holding in RBSG's ordinary shares was 62.3% and its economic interest was 79.0%.

RBSG's registered office is 36 St Andrew Square, Edinburgh EH2 2YB, Scotland and its principal place of business is RBS Gogarburn, PO Box 1000, Edinburgh EH12 1HQ, Scotland, telephone +44 131 626 0000.

THE ROYAL BANK OF SCOTLAND PLC

RBS plc is a public limited company incorporated in Scotland with registration number SC090312. RBS plc was incorporated under Scots law on October 31, 1984. RBS is a wholly owned subsidiary of RBSG.

RBS plc's registered office is 36 St Andrew Square, Edinburgh EH2 2YB, Scotland and its 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 that will apply to (i) any senior debt securities, subordinated debt securities and capital securities that may be offered by RBSG, and (ii) any senior debt securities and subordinated debt securities that may be offered by RBS plc (acting through its head office or any one of its branches) and guaranteed by RBSG. Consequently, when we refer to "debt securities" in this prospectus, we mean (i) the senior debt securities, the subordinated debt securities and the capital securities that may be issued by RBSG, or (ii) the senior debt securities and subordinated debt securities that may be issued by RBS plc, acting directly or through one of its branches, as applicable. The term "debt securities" does not include the "contingent convertible securities" described under "Description of Contingent Convertible 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 will summarize specific financial terms of your security and may contain additional terms of those debt securities to those described in this prospectus. 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. Therefore, the statements we make below in this section may not apply to your debt security. 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.

Senior debt securities will be issued by RBSG and/or RBS plc under the relevant senior debt indenture. Senior debt securities issued by RBS plc will be fully and unconditionally guaranteed on a senior basis by RBSG. Subordinated debt securities will be issued by RBSG and/or RBS plc under the relevant subordinated debt indenture.

Table of Contents

Subordinated debt securities issued by RBS plc will be fully and unconditionally guaranteed on a subordinated basis by RBSG. Capital debt securities that have no stated maturity will be issued by RBSG under a capital securities indenture. Each indenture is a contract between us and The Bank of New York Mellon or Wilmington Trust Company, as applicable, as trustee, and in respect of the senior debt securities Citibank, N.A., as securities administrator for RBS NotesSM and Retail Corporate Notes issued by RBS plc, and, in respect of the senior debt securities or subordinated debt securities issued by RBS plc, RBSG, as guarantor. The indentures are substantially identical, except for certain provisions such as those relating to subordination, which are included only in the subordinated debt indentures and the capital securities indenture. None of the indentures limit our ability to incur additional indebtedness, including additional senior indebtedness.

General

The debt securities are not deposits and are not insured or guaranteed by the U.S. 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 RBSG or RBS plc (acting through its head office or any one of its branches) is the issuer of the relevant debt securities;
- whether they are senior debt securities or subordinated debt securities or, in the case of debt securities issued by RBSG only, capital securities;
 - whether the senior debt securities or subordinated debt securities are guaranteed;
- with respect to the subordinated debt securities and capital securities, whether the payment of interest can be deferred, whether the payment of principal can be deferred, the subordination terms, whether the principal amount may be written down or converted into equity upon the occurrence of certain events relating to our financial condition, the redemption terms and the events of default applicable to each series of the subordinated debt securities and capital securities;
 - their specific designation, authorized denomination and aggregate principal amount;
 - the price or prices at which they will be issued;
- whether such debt securities will be dated debt securities with a specified maturity date or undated debt securities with no specified maturity date;
 - 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;
- whether payments are subject to certain conditions that relate to our financial condition, including our capital ratios;
 - the times and places at which any interest payments are payable;

- the terms of any mandatory or optional redemption, including the amount of any premium;
- any modifications or additions to the events of default 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;

Table of Contents

- 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.

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 the heading “— Modification and Waiver” below.

If RBSG issues subordinated debt securities or capital securities, and if RBS plc issues subordinated debt securities, that, in each case, qualify as Tier 2 capital or other capital for regulatory purposes, the payment, subordination, redemption, events of default and other terms may vary from those described in this prospectus and will be set forth in the relevant prospectus supplement.

Guarantee for Debt Securities Issued by RBS plc

RBSG will fully and unconditionally guarantee payment in full to the holders of senior debt securities or subordinated debt securities issued by RBS plc and all amounts due and owing under the applicable indenture. The guarantee is set forth in, and forms part of, the indentures under which senior debt securities or subordinated debt securities, as applicable, will be issued by RBS plc.

Senior Debt Securities

If, for any reason, RBS plc does not make any required payment in respect of its senior debt securities when due, RBSG will cause the payment to be made to or to the order of the applicable trustee. The guarantee will be on a senior basis when the guaranteed debt securities are issued under the senior indenture. Holders of senior debt securities issued by RBS plc may sue RBSG to enforce their rights under the guarantee without first suing any other person or entity. RBSG may, without the consent of the holders of the debt securities, assume all of RBS plc's rights and obligations under the debt securities and upon such assumption, RBS plc will be released from its liabilities under the senior debt indenture and the senior debt securities.

Subordinated Debt Securities

If, for any reason, RBS plc does not make any required payment in respect of its subordinated debt securities when due, RBSG will cause the payment to be made to or to the order of the applicable trustee. The guarantee will be on a subordinated basis when the guaranteed debt securities are issued under the subordinated debt indenture. Holders of subordinated debt securities issued by RBS plc may sue RBSG to enforce their rights under the subordinated guarantee without first suing any other person or entity. RBSG may, without the consent of the holders of the debt securities, assume all of RBS plc's rights and obligations under the debt securities and upon such assumption, RBS plc will be released from its liabilities under the subordinated debt indenture and subordinated debt securities.

Table of Contents

Because the guarantee is subordinated, if winding-up proceedings with respect to RBSG should occur, each holder may recover less ratably than the holders of its unsubordinated liabilities. If, in any such winding-up, the amount payable on any guarantee of any series of debt securities and any claims ranking equally with such guarantee are not paid in full, those guarantees and other claims ranking equally will share ratably in any distribution of RBSG's 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 guarantee of any 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 RBSG is a holding company, its rights to participate in the assets of any subsidiary if it is liquidated will be subject to the prior claims of such subsidiary's creditors, including, in the case of RBS plc, RBS plc's depositors, except to the extent that RBSG may be a creditor with recognized claims against RBS plc.

Payments

We will make any payments of interest and 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

We are not required to make payments of interest and principal on the subordinated debt securities and if we fail to make a payment, our obligation to make such payments shall be deferred and such failure to make a payment does not create a default under the applicable subordinated debt indenture. The relevant prospectus supplement will set forth the terms on which the payment of interest and principal on the subordinated debt securities can be deferred and any other terms relating to payments on subordinated debt securities.

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, such failure shall not create a default under the capital securities indenture. Unless the relevant prospectus supplement provides otherwise, 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. The relevant prospectus supplement will set forth the terms on which all payments, including missed payments, on the capital securities of a particular series outstanding at the time will be treated, including deferral.

Subordination

Senior Debt Securities

Unless the relevant prospectus supplement provides otherwise, senior debt securities constitute our direct, unconditional, unsecured and unsubordinated obligations ranking *pari passu*, without any preference among themselves, with all of our other outstanding unsecured and unsubordinated obligations, present and future, except such obligations as are preferred by operation of law.

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 applicable subordinated debt indenture.

Table of Contents

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.

Unless the relevant prospectus supplement provides otherwise, 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 RBSG is a holding company, its 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 RBS plc, RBS plc’s depositors, except to the extent that RBSG may be a creditor with recognized claims against RBS plc.

Additional Amounts

Unless otherwise specified in the relevant prospectus supplement, all amounts to be paid by us on any series of debt securities will be paid 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 now or hereafter imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision or any authority thereof or therein having the power to tax (the "U.K. Taxing Jurisdiction"), unless such deduction or withholding is required by law.

Unless otherwise specified in the relevant prospectus supplement, if deduction or withholding of any such taxes, levies, imposts, duties, charges, fees, deductions or withholdings shall at any time be required by the U.K. Taxing

Table of Contents

Jurisdiction, we will pay such additional amounts with respect to the principal of and other payments on any series of debt securities (“Additional Amounts”) as may be necessary in order that the net amounts paid to the holders of the debt securities of the particular series, after such deduction or withholding, shall equal the amounts of such payments which would have been payable in respect of such debt securities had no such deduction or withholding been required; provided, however, that the foregoing will not apply to any such tax, levy, impost, duty, charge, fee, deduction or withholding that would not have been payable or due but for the fact that:

(i) the holder or the beneficial owner of the debt security is a domiciliary, national or resident of, or engaging in business or maintaining a permanent establishment or physically present in, the U.K. Taxing Jurisdiction or otherwise has some connection with the U.K. Taxing Jurisdiction other than the mere holding or ownership of a debt security, or the collection of the payment on any debt security of the relevant series,

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

(iii) 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 such Additional Amount on presenting (where presentation is required) the debt security for payment at the close of such 30 day period,

(iv) the holder or the beneficial owner of the relevant debt security or the payment on such debt security failed to comply with a request by us or our liquidator or other authorized person addressed to the holder (x) to provide information concerning the nationality, residence or identity of the holder or such beneficial owner or (y) to make any declaration or other similar claim to satisfy any requirement, which in the case of (x) or (y), is required or imposed by a statute, treaty, regulation or administrative practice of the U.K. Taxing Jurisdiction as a precondition to exemption or relief from all or part of such deduction or withholding,

(v) the withholding or deduction is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any Directive amending, supplementing or replacing such Directive, or any law implementing or complying with, or introduced in order to conform to, such Directive or Directives,

(vi) 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 (where presentation is required) the relevant debt security to another paying agent in a Member State of the European Union, or

(vii) any combination of subclauses (i) through (vi) above,

nor shall Additional Amounts be paid with respect to a payment on the debt security to any holder who is a fiduciary or partnership or person other than the sole beneficial owner of such payment to the extent such payment would be required by the laws of the U.K. Taxing Jurisdiction to be included in the income for tax purposes of a beneficiary 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.

As used in this “Additional Amounts” section, the term “payment” means, in the context of Senior Debt Securities and Subordinated Debt Securities, payments of principal, premium, if any, and interest, if any, on such securities, and, in the context of Capital Securities, payments and any missed payments on such securities. Whenever in this prospectus or any prospectus supplement there is mentioned, in the context of Senior Debt Securities or Subordinated Debt Securities, the payment of the principal, premium, if any, or interest, if any, on, or in respect of, any such security of

any series, and, in the context of Capital Securities, payments or missed payments on any such security of any series, such mention shall be deemed to include mention of the payment of Additional Amounts provided for in this “Additional Amounts” section to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof pursuant to the provisions of this section and as if express mention of the payment of Additional Amounts (if applicable) were made in any provisions hereof where such express mention is not made.

Table of Contents

Redemption

Unless the relevant prospectus supplement provides otherwise, we will, and in the case of capital securities only if the solvency condition is satisfied, have the option to redeem the debt securities of any series as a whole upon (i) not less than five business days, and not more than 60 calendar days' notice in respect of subordinated debt securities issued by RBS plc and senior debt securities, including Series A Senior Notes, issued by RBSG or (ii) not less than 30 days, and not more than 60 days' notice in respect of capital securities issued by RBSG, subordinated debt securities issued by RBSG and senior debt securities, including RBS NotesSM and Retail Corporate Notes, issued by RBS plc, to each holder of debt securities, on any payment date, at a redemption price equal to 100% of their principal amount together with any accrued but unpaid payments of interest, if any (including any deferred amounts, if applicable) in the case of senior debt securities and subordinated debt securities, and all payments and 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, at any time, 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, including missed payments in the case of capital securities, 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 in the case of capital securities, 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 1000 of the Corporation Tax Act 2010 of the United Kingdom (or any statutory modification or re-enactment thereof for the time being); 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 English 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, including any conditions to our right to exercise such option, in any other circumstances and, if so, the prices and any premium at which and the dates on which we may do so. 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, and subject to what conditions, the redemption price will 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 the capital securities, certain other conditions to be specified in the applicable prospectus supplement are satisfied. Any debt securities of any series that we purchase

Table of Contents

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. Prudential Regulatory Authority (“PRA”) requirements, we may not make any redemption or repurchase of certain debt securities beneficially for our own account, other than a repurchase in connection with dealing in securities, unless, among other things, we give prior notice to the PRA and, in certain circumstances, it consents or does not raise any objection in advance. The PRA may impose conditions on any redemption or repurchase all of which will be set out in the supplemental indenture with respect to any series of debt securities.

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 a majority in aggregate outstanding 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;
- change the terms of any capital security to include a stated maturity date;
- reduce the principal amount of, or in the case of subordinated debt securities, the interest rates, or any premium payable upon the redemption of, or the payments, in the case of capital securities or any missed payments, with respect to any debt security;
 - change our (or any successor’s) obligation 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 relevant indenture and any Senior Debt Security Event of Default, Subordinated Debt Security Event of Default, Capital Security Event of Default, Subordinated Debt Security Default or Capital Security Default (as such terms are defined below and described in the relevant prospectus supplement);
- 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, a Senior Debt Security Event of Default, Subordinated Debt Security Event of Default, Capital Security Event of Default, Subordinated Debt Security Default or Capital Security Default (as those terms are defined under the heading “Event of Default and Defaults; Limitations of Remedies” below), or capital security payment events, as described in the relevant prospectus supplement, may require the non-objection from, or

consent of, the PRA or its successor.

Events of Default and Defaults; Limitation of Remedies

Senior Debt Security Event of Default

Unless the relevant prospectus supplement provides otherwise, a “Senior Debt Security Event of Default” with respect to any series of senior debt securities shall result if:

9

Table of Contents

- we do not pay any principal or interest on any senior debt securities of that series within 14 days from the due date for payment and the principal or interest has not been duly paid within a further 14 days following written notice from the trustee or from holders of 25% in outstanding principal amount of the senior debt securities of that series to us requiring the payment to be made. It shall not, however, be a Senior Debt Security Event of Default if during the 14 days after the notice, we satisfy the trustee that such sums were not paid in order to comply with a law, regulation or order of any court of competent jurisdiction. Where there is doubt as to the validity or applicability of any such law, regulation or order, it shall not be a Senior Debt Security Event of Default if we act on the advice given to us during the 14 day period by independent legal advisers approved by the trustee; or
- we breach any covenant or warranty of the senior debt indenture (other than as stated above with respect to payments when due) and that breach has not been remedied within 60 days of receipt of a written notice from the trustee certifying that in its opinion the breach is materially prejudicial to the interests of the holders of the senior debt securities of that series and requiring the breach to be remedied or from holders of at least 25% in outstanding principal amount of the senior debt securities of that series requiring the breach to be remedied; or
- either a court of competent jurisdiction issues an order which is not successfully appealed within 30 days, or an effective shareholders' resolution is validly adopted, for our winding-up (other than under or in connection with a scheme of reconstruction, merger or amalgamation not involving bankruptcy or insolvency).

If a Senior Debt Security Event of Default occurs and is continuing, the trustee or the holders of at least 25% in outstanding principal amount of the senior debt securities of that series may at their discretion declare the senior debt securities of that series to be due and repayable immediately (and the senior debt securities of that series shall thereby become due and repayable) at their outstanding principal amount (or at such other repayment amount as may be specified in or determined in accordance with the relevant prospectus supplement) together with accrued interest, if any, as provided in the prospectus supplement. The trustee may at its discretion and without further notice institute such proceedings as it may think suitable, against us to enforce payment. Subject to the indenture provisions for the indemnification of the trustee and the securities administrator, as the case may be, the holder(s) of a majority in aggregate principal amount of the outstanding senior debt securities of any series shall have the right to direct the time, method and place of conducting any proceeding in the name or and on the behalf of the trustee for any remedy available to the trustee or exercising any trust or power conferred on the trustee with respect to the series. However, this direction must not be in conflict with any rule of law or the senior debt indenture, and must not be unjustly prejudicial to the holder(s) of any senior debt securities of that series not taking part in the direction, and determined by the trustee. The trustee may also take any other action consistent with the direction that it deems proper.

Notwithstanding any contrary provisions, nothing shall impair the right of a holder, absent the holder's consent, to sue for any payments due but unpaid with respect to the senior debt securities.

By accepting a senior debt security, each holder will be deemed to have waived any right of set-off, counterclaim or combination of accounts with respect to the senior debt securities or the applicable indenture that they might otherwise have against us, whether before or during our winding-up.

Subordinated Debt Securities Event of Default or Capital Securities Event of Default

Unless the relevant prospectus supplement provides otherwise, a "Subordinated Debt Security Event of Default" with respect to any series of subordinated debt securities and a "Capital Security Event of Default" with respect to any series of capital debt securities shall result if either a court of competent jurisdiction issues an order which is not successfully appealed within 30 days, or 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).

If a Subordinated Debt Security Event of Default or Capital Security Event of Default, as the case may be, occurs and is continuing, the trustee or the holders of at least 25% in aggregate principal amount of the outstanding subordinated debt securities or capital securities, as the case may be, of each series may declare to be due and payable immediately in accordance with the terms of the applicable indenture the principal amount of, and any

Table of Contents

accrued but unpaid payments (or, in the case of discount securities, the accreted face amount, together with any accrued interest), including any deferred interest and, in the case of capital securities, any missed payments on the securities of the series. 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 subordinated debt securities or capital securities, as the case may be, of the series may rescind the declaration of accelerations and its consequences, but only if all Subordinated Debt Security Events of Default or Capital Security Events of Default, as the case may be, have been remedied or waived and all payments due, other than those due as a result of acceleration, have been made.

Subordinated Debt Securities Defaults or Capital Securities Defaults

In addition to Subordinated Debt Security Events of Default and Capital Security Events of Default, the subordinated debt and capital securities indentures also separately provide for “Subordinated Debt Security Defaults” and “Capital Security Defaults”. The relevant prospectus supplement with respect to any series of subordinated debt securities or capital securities shall set out what events, if any, shall be considered Subordinated Debt Security Defaults or Capital Security Defaults. The indentures permit the issuance of subordinated debt securities or capital securities, as applicable, in one or more series and whether a Subordinated Debt Security Default or Capital Security Default has occurred is determined on a series-by-series basis.

Unless the relevant prospectus supplement provides otherwise, if a Subordinated Debt Security Default or Capital Security Default occurs and is continuing, the trustee may commence a proceeding in Scotland (but not elsewhere) for our winding-up, but the trustee may not declare the principal amount of any outstanding subordinated debt security or capital security, as the case may be, due and payable. The relevant prospectus supplement will set forth further actions provided in the subordinated debt securities indenture and the capital securities indenture relating to the rights of holders in connection with the occurrence of a Subordinated Debt Security Default or Capital Security Default, if any, that may be taken by the trustee upon the occurrence of a Subordinated Debt Security Default or Capital Security Default.

By accepting a subordinated debt security or a capital security, as applicable, 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 capital securities, as applicable, or the applicable indenture (or between our obligations under or in respect of any subordinated debt security or capital security, as applicable, 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.

Events of Default and Defaults - General

The holder or holders of not less than a majority in aggregate principal amount of the outstanding debt securities of any series may waive any past Senior Debt Security Event of Default, Subordinated Debt Security Event of Default, Capital Security Event of Default, Subordinated Debt Security Default or Capital Security Default, or capital security payment event with respect to the series, except a Senior Debt Security Event of Default, Subordinated Debt Security Event of Default, Capital Security Event of Default, Subordinated Debt Security Default or Capital Security Default, in respect of the payment of interest, if any, or principal of (or premium, if any) or payments or, in the case of capital securities, 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 exceptions, the trustee may, without the consent of the holders, waive or authorize a Senior Debt Security Event of Default if, in the opinion of the trustee, the Senior Debt Security Event of Default would not be materially prejudicial to the interests of the holders.

Subject to the provisions of the applicable indenture relating to the duties of the trustee, if a Senior Debt Security Event of Default, Subordinated Debt Security Event of Default, Capital Security Event of Default, Subordinated Debt Security Default or Capital Security Default, or a 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

Table of Contents

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 a Senior Debt Security Event of Default, Subordinated Debt Security Event of Default, Capital Security Event of Default, Subordinated Debt Security Default or Capital Security Default, or a 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 Senior Debt Security Event of Default, Subordinated Debt Security Event of Default, Capital Security Event of Default, Subordinated Debt Security Default or Capital Security Default or a capital security payment event known to it, unless the Senior Debt Security Event of Default, Subordinated Debt Security Event of Default, Capital Security Event of Default, Subordinated Debt Security Default or Capital Security Default, or a 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, by a supplemental indenture, our obligations on the debt securities and under the applicable indenture, and we procure the delivery of a customary officer's certificate and legal opinion providing that the conditions precedent to the transaction have been complied with.

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 certain conditions are satisfied, including that under certain indentures we unconditionally guarantee 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 the U.K. Taxing Jurisdiction, rather than taxes imposed by the 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 under the heading “—Additional Amounts” above, imposed by the 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 applica