

ROYAL BANK OF SCOTLAND GROUP PLC

Form 424B5

June 30, 2003

[Royal Bank Logo]

PROSPECTUS SUPPLEMENT  
(to prospectus dated June 26, 2003)

# The Royal Bank of Scotland Group plc

\$350,000,000

4.70% Subordinated Notes due 2018

Interest payable January 3 and July 3

Issue Price: 99.872%

The Subordinated Notes will bear interest at a rate of 4.70% per year, payable on January 3 and July 3 of each year, beginning January 3, 2004. The Subordinated Notes will mature on July 3, 2018.

The Subordinated Notes are subordinated in right of payment to all of our senior debt from time to time outstanding. The Subordinated Notes will be issued only in denominations of \$1,000 and integral multiples of \$1,000. If we do not make a payment of principal or interest on any payment date, our obligation to make that payment will be deferred, if the payment is an interest payment, until the date upon which we pay a dividend on any class of our share capital and, if the payment is a payment of principal, until the first business day after the date that falls six months after the original payment date. If we fail to make a payment before the date to which payment is deferred in this way, that failure will not constitute a default or otherwise allow any holder to sue us for the payment or to take any other action. Payment of principal of the Subordinated Notes may be accelerated only if we are wound up. There is no right of acceleration if we default in the payment of interest or in the performance of any of our covenants.

We have the option to redeem all of the Subordinated Notes as a whole on any payment date if certain changes in the tax laws of the United Kingdom occur.

We intend to apply to list the Subordinated Notes on the Luxembourg Stock Exchange in accordance with its rules.

Neither the Securities and Exchange Commission 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.

	<u>Per Subordinated Note</u>	<u>Total</u>
Price to the public	99.872%	\$ 349,552,000
Underwriting discounts	0.531%	\$ 1,858,500
Proceeds to us	99.341%	\$ 347,693,500

The initial public offering price set forth above does not include accrued interest, if any. Interest on the Subordinated Notes will accrue from July 3, 2003 and must be paid by the purchaser if the Subordinated Notes are delivered thereafter.

We expect that the Subordinated Notes will be ready for delivery through the book-entry facilities of The Depository Trust Company and its participants, including Euroclear and Clearstream, on or about July 3, 2003.

*Joint Lead Managers*

Goldman, Sachs & Co.

UBS Investment Bank

June 26, 2003

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**You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state or jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front of this prospectus supplement.**

In connection with this issue, Goldman, Sachs & Co., as stabilizing manager, or any person acting on its behalf may over-allot or effect transactions with a view to supporting the market price of the Subordinated Notes at a higher level than that which might otherwise prevail for a limited period. However, there may be no obligation on the stabilizing manager or any agent of the stabilizing manager to do this. Such stabilization, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Any such stabilizing shall be in compliance with all relevant laws and regulations.

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#### **ABOUT THIS PROSPECTUS SUPPLEMENT**

In this prospectus supplement, we use the following terms:

we and us mean The Royal Bank of Scotland Group plc,

the Group and RBSG mean The Royal Bank of Scotland Group plc and its subsidiaries,

SEC refers to the Securities and Exchange Commission,

pounds , sterling , pence , £ and p refer to the currency of the United Kingdom,

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 that have adopted the single currency in accordance with the treaty establishing the European Community, as amended.

#### **INCORPORATION OF INFORMATION BY REFERENCE**

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

incorporated documents 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 supersede this prospectus supplement.

We incorporate by reference our Annual Report on Form 20-F for the year ended December 31, 2002, which we filed with the SEC on March 19, 2003 and which we refer to as our 2002 Form 20-F. For more information on documents incorporated by reference you should read Incorporation of Documents by Reference in the accompanying prospectus.

Furthermore, we incorporate by reference any of the following documents that we file with the SEC after the date of this prospectus supplement but before the end of the offering of the Subordinated Notes:

any reports on Form 6-K filed by us pursuant to the Securities Exchange Act of 1934 that are expressed to be incorporated by reference; and

reports filed under Sections 13(a) and (c) of the Securities Exchange Act of 1934.

You may read and copy any document that we file with the SEC at the SEC's Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. 20549. You can call the SEC on 1-800-SEC-0330 for further information on the Public Reference Room. The SEC's website, at <http://www.sec.gov>, contains reports and other information in electronic form that we have filed. You may also request a copy of any filings referred to above (excluding exhibits) at no cost, by contacting us at 42 St Andrew Square, Edinburgh EH2 2YE, Scotland, telephone +44-131-556-8555.

### **FORWARD-LOOKING STATEMENTS**

From time to time, we may make statements regarding our assumptions, projections, expectations, intentions or beliefs about future events. These statements constitute forward-looking statements for purposes of the Private Securities Litigation Reform Act of 1995. We caution that these statements may and often do vary materially from actual results. Accordingly, we cannot assure you that actual results will not differ materially from those expressed or implied by the forward-looking statements. You should read the section entitled Presentation of information Forward-looking statements in our Annual Report on Form 20-F for the year ended December 31, 2002, which is incorporated by reference.

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

### **NOTICE TO INVESTORS**

We have not authorized any offer or sale of the Subordinated Notes to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995, as amended (the Regulations ). The Subordinated Notes may not lawfully be offered or sold to persons in the United Kingdom except in circumstances which do not result in an offer to the public in the United Kingdom within the meaning of the Regulations or otherwise in compliance with all applicable provisions of the Regulations.

## USE OF PROCEEDS

We will use the net proceeds from the sale of the Subordinated Notes in the general business of the Group and to further strengthen our capital base. We have raised capital in various markets from time to time and we expect to continue to raise capital in appropriate markets as and when required.

## CAPITALIZATION OF THE GROUP

The following table shows our authorized, issued and fully paid share capital, shareholders funds and indebtedness on a consolidated basis in accordance with UK GAAP as at December 31, 2002. The dollar financial information has been translated for convenience at the rate of £1.00 to US\$1.6095, the Noon Buying Rate on December 31, 2002.

	As at December 31, 2002	
	£m	\$m
<b>Share capital authorized</b>		
Ordinary shares shares of £0.25 each	1,343	2,162
Additional value shares shares of £0.01 each	27	43
Preference shares(1)	528	850
	<u>1,898</u>	<u>3,055</u>
<b>Share capital allotted, called up and fully paid</b>		
Ordinary shares	725	1,167
Additional value shares	27	44
Preference shares(2)	2	3
	<u>754</u>	<u>1,214</u>
<b>Retained income and other reserves</b>	<u>26,298</u>	<u>42,326</u>
<b>Total shareholders funds</b>	<u>27,052</u>	<u>43,540</u>
<b>Group indebtedness</b>		
Dated loan capital	7,602	12,236
Undated loan capital	6,363	10,241
	<u>13,965</u>	<u>22,477</u>
Debt securities in issue	33,938	54,623
<b>Total indebtedness</b>	<u>47,903</u>	<u>77,100</u>
<b>Total capitalization and indebtedness</b>	<u>74,955</u>	<u>120,640</u>

Notes:

- (1) The authorized preference share capital of the Group as at December 31, 2002 was £528 million consisting of 238.5 million non-cumulative preference shares of US\$0.01 each, 3.9 million non-cumulative convertible preference shares of US\$0.01 each, 66 million non-cumulative preference shares of £0.01 each, 3 million non-cumulative convertible preference shares of £0.01 each, 900 million non-cumulative convertible preference shares of £0.25 each, 1.0 million non-cumulative convertible preference shares of £0.01 each, 0.9 million cumulative preference shares of £1 each and 300 million non-cumulative preference shares of £1 each.

- (2) The allotted, called up and fully paid preference share capital of the Group as at December 31, 2002 was £2 million consisting of 106 million non-cumulative preference shares of US\$0.01 each, 1.9 million non-cumulative convertible preference shares of US\$0.01 each, 0.75 million non-

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cumulative convertible preference shares of 0.01 each, 0.2 million non-cumulative convertible preference shares of £0.01 each and 0.9 million cumulative preference shares of £1 each.

On January 30, 2003, we redeemed the 8 million Series B and 16 million Series C, non cumulative dollar preference shares of US\$0.01 each.

The Royal Bank of Scotland plc, a subsidiary of the Group, issued £500 million Fixed Rate Undated Subordinated Notes on March 14, 2003, £750 million Fixed Rate Dated Subordinated Notes on April 22, 2003 and £200m Fixed Rate Undated Subordinated Notes on June 26, 2003.

RBS Capital Trust I, a subsidiary of the Group, issued \$850 million non-cumulative trust preferred securities on May 21, 2003. These will be accounted for as non-equity minority interest in the Group.

We issued exchangeable capital securities, series B, in an aggregate principal amount of \$850 million on June 23, 2003.

In respect of the current offering, we expect to issue \$350 million Fixed Rate Subordinated Notes due 2018.

As at December 31, 2002, the Group had total liabilities, including shareholders funds, of £412,000 million, including deposits by banks of £54,720 million and customer accounts of £219,161 million.

All of the above indebtedness is unsecured. None of the above indebtedness is guaranteed.

As at December 31, 2002, we had contingent liabilities and guarantees arising in the normal course of business totaling £15,588 million, consisting of acceptances and endorsements of £2,407 million, guarantees and assets pledged as collateral security of £5,200 million and other contingent liabilities of £7,981 million.

Save as disclosed above, there has been no material change in the contingent liabilities, total capitalization and indebtedness of the Group since December 31, 2002.

### EXCHANGE RATES

The following table shows, for the periods and dates indicated, certain information about the Noon Buying Rate in The City of New York for cable transfers in sterling as certified for customs purposes by the Federal Reserve.

US Dollars per £1	Year ended December 31,		
	2002	2001	2000
Noon Buying Rate			
Period end rate	1.6095	1.4543	1.4955
Average rate for the period(1)	1.5043	1.4396	1.5204
Consolidation rate(2)			
Period end rate	1.6128	1.4498	1.4925
Average rate for the period	1.5032	1.4401	1.5160

Notes:

- (1) The average of the Noon Buying Rates on the last business day of each month during the period.
- (2) The rates used by the Group for translating dollars into sterling in the preparation of its financial statements.  
The Noon Buying Rate on June 26, 2003 was £1.00 = \$1.6640.

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A significant portion of the assets and liabilities of the Group is denominated in currencies other than sterling. Fluctuations in the value of sterling relative to other currencies have had a significant effect on the sterling value of non-sterling assets, liabilities, interest income and interest expense. Since most of the Group's non-sterling assets and liabilities relate to foreign activities, these fluctuations also affect the amounts for domestic and foreign activities presented for certain financial and statistical information in our 2002 Form 20-F.

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**RATIO OF EARNINGS TO FIXED CHARGES**

	Year Ended December 31,		
	2002	2001	2000
<b>In accordance with UK GAAP:</b>			
<b>Ratio of earnings to combined fixed charges and preference share dividends</b>			
including interest on deposits	1.73	1.49	1.32
excluding interest on deposits	5.12	4.45	3.49
<b>Ratio of earnings to fixed charges only</b>			
including interest on deposits	1.82	1.55	1.37
excluding interest on deposits	7.13	6.52	4.81
<b>In accordance with US GAAP:</b>			
Ratio of earnings to combined fixed charges, preference share dividends and perpetual regulatory securities interest			
including interest on deposits	1.97	1.51	1.41
excluding interest on deposits	6.49	4.63	4.19
Ratio of earnings to fixed charges only			
including interest on deposits	2.07	1.59	1.46
excluding interest on deposits	9.03	6.98	5.77

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For purposes of calculating our ratio of earning to fixed charges, earnings consist of income before tax and minority 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 GROUP

The Royal Bank of Scotland Group plc is a public limited company incorporated in Scotland with registration number 45551. We are a diversified financial services group engaged in a wide range of banking, financial and finance-related activities in the United Kingdom and internationally. The Group's operations are principally centered in the UK.

The Group's principal operating subsidiary is The Royal Bank of Scotland plc (the Royal Bank). As of January 31, 2003, the entire issued ordinary share capital of National Westminster Bank Plc (NatWest) was transferred by the Group to the Royal Bank. Both the Royal Bank and NatWest are major UK clearing banks engaging principally in providing a comprehensive range of banking, insurance and other financial services and each controls, directs and promotes the operations of various subsidiary companies.

The Royal Bank was created by the merger in 1985 of the former The Royal Bank of Scotland plc, the largest of the Scottish clearing banks, and Williams & Glyn's Bank plc, a wholly-owned English clearing bank subsidiary of the Group. At December 31, 2002, the Royal Bank had 642 retail branches in the UK.

NatWest was incorporated in England in 1968 and was formed from the merger of National Provincial Bank Limited and Westminster Bank Limited, which had themselves been formed through a series of mergers involving banks with origins dating back as far as the seventeenth century. At December 31, 2002, NatWest had 1,642 retail branches in the UK.

### Business Overview

At and for the year ended December 31, 2002, based on domicile of customer, no country outside the UK or the United States accounted for more than 10% of total assets or profit before tax or net assets of the Group. At December 31, 2002, the Group had total assets of £412 billion (December 31, 2001 £369 billion) and total deposits of £274 billion (December 31, 2001 £239 billion). Shareholders' funds at December 31, 2002 were £27,052 million (December 31, 2001 (restated) £26,668 million).

At December 31, 2002, the Group employed 111,800 staff (December 31, 2001 105,700) on a full-time equivalent basis.

### Organizational Structure

The Group's activities are organized in the following business divisions: Corporate Banking and Financial Markets, Retail Banking, Retail Direct, Manufacturing, Wealth Management, Direct Line Group, Ulster Bank, Citizens and the Centre. A description of the activities of each of the Group's businesses is given below.

#### *Corporate Banking and Financial Markets*

Corporate Banking and Financial Markets (CBFM) is the largest provider of banking services to medium and large businesses in the UK and the leading player in the UK in asset finance. It provides an integrated range of products and services to mid-sized and large corporate and institutional customers in the UK and overseas, including corporate and commercial banking, treasury and capital markets products, structured and leveraged finance, trade finance, leasing and factoring.

Financial Markets provides corporate and institutional customers with treasury services, including global interest rate derivatives trading, bond origination and trading, credit sales and trading, sovereign debt trading and futures brokerage. In addition, it provides foreign exchange, money market, currency derivative and rate risk management services. It also engages in similar activities for its own account, and provides treasury services support to the Group. RBS Greenwich Capital, headquartered in Connecticut, delivers debt market solutions tailored to meet the needs of companies and institutions around the world.

On January 1, 2002 Ulster Bank's leasing business was transferred to CBFM and on May 17, 2002, Lombard North Central Plc, the leasing arm of CBFM, completed the acquisition of Dixon Motors PLC, one of the UK's largest car dealerships.

### ***Retail Banking***

Retail Banking provides a wide range of banking, insurance and related financial services to individuals and small businesses. These services are delivered from a network of Royal Bank and NatWest branches throughout Great Britain and through telephone call centers, ATMs and the internet. It also has complementary subsidiary businesses covering life assurance and pensions.

In the personal banking market, Retail Banking offers money transmission, savings and loan facilities. In the small business banking market, Retail Banking provides a range of services which includes money transmission and cash management, short, medium and long-term finance and retail and wholesale deposit-taking products.

In December 2002, the Royal Bank acquired Royal Bank of Scotland Unit Trust Management Limited and Royal Bank of Scotland Portfolio Management Limited.

### ***Retail Direct***

Retail Direct issues a comprehensive range of credit, charge and debit cards to personal and corporate customers and engages in merchant acquisition and processing facilities for retail businesses. It also includes Tesco Personal Finance Limited, The One Account, Direct Line Financial Services Limited, Lombard Direct, the Group's internet banking platform and Comfort Card European businesses. All of these businesses offer products to customers through direct channels.

In June 2002, Retail Direct completed the acquisition of the remaining interest that it did not previously own in WorldPay Limited, an internet payment specialist.

In May 2003, the Group announced the acquisition of the credit card and personal loans portfolios of Frankfurt-based Santander Direkt Bank, a member of the Santander Central Hispano group, subject to regulatory approval.

### ***Manufacturing***

Manufacturing supports the customer facing businesses of CBFM, Retail Banking and Retail Direct, and provides operational technology customer support in telephony, global purchasing, account management, money transmission, property and other support services.

### ***Wealth Management***

Wealth Management comprises Coutts Group, Adam & Company and the offshore banking businesses - The Royal Bank of Scotland International and NatWest Offshore. The Coutts Group focuses on private banking in the UK and overseas. Adam & Company is a private bank operating primarily in Scotland. The offshore businesses deliver retail banking services to local and expatriate customers, and corporate banking and treasury services to corporate, intermediary and institutional clients.

In September 2002, Wealth Management sold 50% of its interest in NatWest Stockbrokers Limited to TD Waterhouse, part of Toronto Dominion Bank of Canada.

In May 2003, the Group announced the sale of the Coutts Group's Miami-based Latin American private banking operations to Santander Central Hispano, subject to regulatory approval.

### ***Direct Line Group***

Direct Line Group sells and underwrites retail and wholesale insurance on the telephone and the internet. The Retail Division sells general insurance and motor breakdown services direct to the customer



and UKI Partnerships (formerly Green Flag) is a leading wholesale provider of insurance and motoring related services. Through its International Division, Direct Line sells insurance in Spain, Japan, Germany and Italy. The acquisition of Royal & Sun Alliance's direct motor insurance operation in Italy was completed in September 2002, making Direct Line the largest direct insurer in Italy.

In June 2003, the Group announced an agreement to acquire UK-based Churchill Insurance Group plc from the Credit Suisse Group, subject to regulatory approval.

#### ***Ulster Bank Limited***

Ulster Bank Limited provides a comprehensive range of retail and wholesale financial services in Northern Ireland and the Republic of Ireland. Retail banking has a network of branches throughout Ireland and operates in the personal, commercial and wealth management sectors. Ulster Bank corporate banking and financial markets provides a wide range of services in the corporate and institutional markets.

On January 1, 2002, Ulster Bank's leasing business was transferred to CBFM.

#### ***Citizens Financial Group Inc. ( Citizens )***

Citizens is engaged in retail and corporate banking activities carried out through its branch network in the states of Rhode Island, Connecticut, Massachusetts, New Hampshire, Pennsylvania, Delaware and New Jersey. Citizens is the second largest bank in New England and the sixteenth largest commercial bank in the U.S. measured by deposits. Citizens provides a full range of retail and corporate banking services, including personal banking, residential mortgages and home equity loans. In addition, Citizens engages in a wide variety of commercial loan and commercial real estate activities, consumer lending, credit card services, trust services and retail investment services. Citizens also operates subsidiaries primarily engaged in equipment leasing financing.

In October 2002, Citizens completed the acquisition of Medford Bancorp Inc., a Massachusetts savings bank, and in January 2003, completed the acquisition of Pennsylvania-based commercial bank, Commonwealth Bancorp.

In April 2003, Citizens announced the acquisition of Port Financial Corp., the holding company for Cambridgeport Bank, a Massachusetts savings bank, subject to Port Financial Corp. shareholder approval and U.S. regulatory approval.

#### ***The Centre***

The Centre comprises group and corporate functions which provide services to the operating divisions.

#### ***Competition***

The Group is subject to intense competition in all aspects of its business. In the UK, the Royal Bank and NatWest's principal competitors are other clearing banks, building societies (which are similar to savings and loans associations in the US) and the other major international banks.

Competition to serve corporate and institutional customers in the UK remains strong. In addition to the UK clearing bank groups, large US and European financial institutions are also active, and offer combined investment and commercial banking capabilities. The capital markets continue to innovate and provide a broad range of financing and risk management solutions for corporate customers. In asset finance, Lombard competes with both banks and specialized asset finance providers.

In the small business banking market, the Group competes with other UK clearing bank groups, with specialist finance providers and building societies. During 2002, competition within small business banking remained strong as former building societies continued to develop their offerings.

In the personal banking market, competition remains intense. In addition to UK banks and building societies, major retailers, life assurance companies and internet-only players are active in the market.

NatWest Life and Royal Scottish Assurance compete with Independent Financial Advisers and life assurance companies. The competitive situation in the long term savings market is dynamic, due to regulatory changes, and the impact of highly volatile securities markets on both customer confidence and traditional with-profits life assurance companies' solvency.

The UK credit card market is highly competitive. Major retailers, utilities and specialist card issuers, including the major US operators, are active in the market in addition to UK banks and building societies. Competition is across a range of dimensions, including aggressive pricing, loyalty and reward schemes, and packaged benefits. In addition to physical distribution channels, providers compete through direct marketing activity and, increasingly, the internet.

In Wealth Management, The Royal Bank of Scotland International and NatWest Offshore compete with other UK and international banks to offer offshore banking services. Coutts Group and Adam & Company compete as private banks with UK clearing and private banks, and with international private bankers. Difficult market conditions have seen some retrenchment of competitive activity, particularly in the mass-affluent segment.

Direct Line competes in personal insurance. The market is highly competitive, particularly the motor segment. Direct Line faces competition from a range of insurance companies who now operate telephone and internet direct sales businesses. Direct Line also competes in the direct motor insurance markets in Spain, Italy, Germany and Japan.

In Northern Ireland and the Republic of Ireland, Ulster Bank competes in retail and commercial banking with the major Irish banks and building societies, and with other UK and international banks and building societies active in the market. Competition is intensifying as both UK and Irish institutions seek to expand their businesses.

In the United States, Citizens, through its banking subsidiaries, competes primarily in New England, and from December 2001, in Pennsylvania, in retail and mid-corporate banking markets with local and regional banks and other financial institutions. The Royal Bank of Scotland Group also competes in the US through RBS Greenwich Capital and branches of RBS and NatWest, in large corporate lending and specialized finance markets, and in fixed-income trading and sales. Competition is principally with the large US commercial and investment banks and international banks active in the US.

In other international markets, principally in continental Europe, the Group faces competition from the leading domestic and international players active in the relevant national markets.



## DESCRIPTION OF THE SUBORDINATED NOTES

*The following is a summary of certain terms of the Subordinated 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 Subordinated Notes will constitute a separate series of subordinated debt securities issued under a subordinated debt indenture between us and The Bank of New York as trustee. The summary of certain terms of the Subordinated Notes set out below and the description contained in the accompanying prospectus may not contain all of the information that may be important to you. You should read the indenture, a form of which we filed with the SEC as an exhibit to our registration statement.

The Subordinated Notes will initially be issued in the aggregate principal amount of \$350,000,000 and will be sold in minimum denominations of \$1,000 and integral multiples of \$1,000. We may, without the consent of the holders of the Subordinated Notes, issue additional Subordinated Notes having the same ranking and same interest rate, maturity date, redemption terms and other terms as the Subordinated Notes. Any such additional Subordinated Notes, together with the Subordinated Notes offered by this prospectus supplement, will constitute a single series of securities under the indenture. There is no limitation on the amount of Subordinated Notes or other debt securities that we may issue under the indenture.

The Subordinated Notes will initially be represented by one or more global securities in registered form, without coupons attached, and will be deposited with or on behalf of The Depository Trust Company. For a more detailed summary of the form of the Subordinated Notes and settlement and clearance arrangements, you should read Description of Debt Securities Form of Debt Securities; Book-Entry System in the accompanying prospectus.

### Payments

The Subordinated Notes will mature on July 3, 2018. Interest on the Subordinated Notes will accrue on their principal amount at the annual rate specified on the cover of this prospectus supplement, payable semi-annually in arrears on January 3 and July 3, to the holders of record 15 calendar days prior to the date thereof, commencing on January 3, 2004, and on maturity. Interest on the Subordinated Notes will be calculated on the basis of a 360-day year divided into twelve months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed in such period.

If we do not make a payment of principal or interest on any payment date, our obligation to make that payment will be deferred, if it is an interest payment, until the date upon which we pay a dividend on any class of our share capital and, if it is a payment of principal, until the first business day after the date that falls six months after the original payment date. If we fail to make a payment before the date to which payment is deferred in this way, that failure will not constitute a default or otherwise allow any holder to sue us for the payment or take any other action. Each payment that is deferred in this way will accrue interest at the annual rate shown on the front cover of this prospectus supplement. Any payment deferred in this way will not be treated as due for any purpose, including for the purposes of ascertaining whether or not a Subordinated Debt Security Default (as described in the accompanying prospectus) has occurred, until the Deferred Payment Date. For more details you should read Description of Debt Securities Payments Subordinated Debt Securities and Description of Debt Securities Events of Default and Defaults; Limitation of Remedies in the accompanying prospectus.

## Redemption

We may redeem the Subordinated Notes in whole but not in part in the event of certain changes in the tax laws of the United Kingdom. In the event of such a redemption, the redemption price of the Subordinated Notes will be 100% of their principal amount together with any accrued but unpaid payments of interest to the date of redemption. If we elect to redeem the Subordinated Notes, they will cease to accrue interest from the redemption date, unless we fail to pay the redemption price on the payment date. The circumstances in which we may redeem the Subordinated Notes and the applicable procedures are described further in the accompanying prospectus under Description of Debt Securities Redemption.

## Waiver of Right to Set-off

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

## Listing

We intend to apply for the listing of the Subordinated Notes on the Luxembourg Stock Exchange in accordance with its rules. If the notes are listed on the Luxembourg Stock Exchange, all notices regarding the Subordinated Notes will, so long as the rules of the Luxembourg Stock Exchange require, be published in a daily newspaper of general circulation in Luxembourg, which is expected to be the *Luxemburger Wort*.

## ISIN and CUSIP Numbers

The ISIN for the Subordinated Notes is US780097AM39 and the CUSIP number is 780097 AM 3 and the common code is 017199617.

## CERTAIN US FEDERAL AND UK TAX CONSEQUENCES

The following is a summary of certain US federal and UK tax consequences of the acquisition, ownership and disposition of the Subordinated Notes by a US holder, a beneficial owner of the Subordinated Notes that is a citizen or resident of the United States, or that otherwise will be subject to US federal income tax on a net income basis in respect of the Subordinated Notes, that is not connected with us for relevant tax purposes, that holds the Subordinated Notes as capital assets and that purchases them as part of the initial offering of the Subordinated Notes at their issue price, which will be equal to the first price to the public (not including bondhouses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the Subordinated Notes is sold for money.

Although the following discussion does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser of the Subordinated Notes, in the opinion of Linklaters, it summarizes the material UK tax consequences to US holders of holding Subordinated Notes and in the opinion of Davis Polk & Wardwell, it summarizes the material US federal tax consequences to US holders of holding Subordinated Notes.

This summary does not address the tax consequences to a US holder:

that is resident (or, in the case of an individual, ordinarily resident) in the United Kingdom for UK tax purposes; or

that is a corporation which alone or together with one or more associated corporations, controls, directly or indirectly, 10% or more of our voting stock.

The statements regarding UK and US tax laws and practices set out below, including those regarding the US/ UK double taxation convention relating to income and capital gains (the Treaty), are based on those laws, practices and conventions as in force and as applied in practice on the date of this prospectus supplement. They are subject to changes in those laws, practices and conventions, and any relevant judicial decision, after the date of this prospectus supplement. This summary is not exhaustive of all possible tax considerations that may be relevant in the particular circumstances of each US holder. You should satisfy yourself as to the tax consequences in your own particular circumstances of the acquisition, ownership and disposition of the Subordinated Notes.

### United Kingdom

*Payments.* Interest that we pay on the Subordinated Notes will not be subject to withholding or deduction for UK income tax purposes, provided that the Subordinated Notes are and remain listed on the Luxembourg Stock Exchange or some other recognised stock exchange within the meaning of Section 841 of the Income and Corporation Taxes Act 1988.

In all other cases, UK income tax will generally be withheld at the lower rate (currently 20%), unless the UK Inland Revenue has issued a direction to the contrary, granting relief to you pursuant to the provisions of the Treaty, or certain other exceptions relating to the status of the bondholder apply. Certain US holders will be entitled to receive payments (including payments on definitive Subordinated Notes which would, in accordance with the foregoing, otherwise be paid after withholding of income tax at the prescribed rate) free of withholding of UK income tax under the Treaty and will under current Inland Revenue administrative procedures be able to make a claim for the issuance of such a direction by the UK Inland Revenue. 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 be required to withhold tax, although a US holder entitled to relief under the Treaty may subsequently claim the amount withheld from the UK Inland Revenue.

Payments of interest on the Subordinated Notes have a UK source and may be chargeable to UK tax by direct assessment. Where the payments are made without withholding or deduction, the payments will not be assessed to UK tax if you are not resident in the United Kingdom, except if you carry on a trade, profession or vocation in the United Kingdom through a UK branch or agency in connection with which the payments are received or to which the Subordinated 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.

Any paying agent or other person by or through whom interest is paid to, or by whom interest is received on behalf of, an individual, may be required to provide information in relation to the payment and the individual concerned to the UK Inland Revenue. The Inland Revenue 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 US holder who is an individual or other non-corporation tax payer will not, upon disposal (including redemption) of a Subordinated Note, be liable for UK taxation on gains realized, unless at the time of the disposal the US holder carries on a trade, profession or vocation in the United Kingdom through a branch or agency and the Subordinated 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.

A US holder who is an individual and who has, on or after March 17, 1998, ceased to be resident or ordinarily resident for tax purposes in the UK for a period of less than five years of assessment and who disposes of a Subordinated Note during that period may be liable to UK tax on chargeable gains arising during the period of absence, subject to any available exemption or relief.

A US holder who is an individual or other non-corporation taxpayer will not, upon transfer or redemption of a Subordinated Note, recognize any UK income tax charge on accrued but unpaid

payments of interest, unless the US holder at any time in the relevant year of assessment or accounting period carried on a trade in the United Kingdom through a branch or agency to which the Subordinated Note is attributable.

*Annual Tax Charges.* Corporate US holders who do not carry on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Subordinated 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 Subordinated Notes.

Proposed legislation, intended to enter into force in 2003, would amend the above so that corporate US holders would be liable to UK tax in respect of the Subordinated Notes if they carry on a trade, profession or vocation through a UK permanent establishment to which the Subordinated Notes are attributable. The proposed legislation is not final and is subject to change.

*Stamp Duty and Stamp Duty Reserve Tax.* No UK stamp duty or stamp duty reserve tax will be payable on the issue, transfer or redemption of the Subordinated Notes.

*EU Directive on taxation of savings income.* The Council of the European Union has adopted a new directive regarding the taxation of savings income. Subject to a number of important conditions being met, Member States of the European Union will be required from January 1, 2005 to provide to the tax authorities of another Member State the details of payments of interest or other similar income paid by a person within its jurisdiction to or for the benefit of an individual resident in that other Member State, except that Belgium, Luxembourg and Austria will instead operate a withholding system for a transitional period in relation to such payments.

#### **United States**

Payments of interest on a Subordinated Note (including any UK tax withheld) will be includable in income by a US holder as foreign source ordinary income for US federal income tax purposes and will generally constitute passive income, or in the case of certain US holders, financial services income, for purposes of computing the foreign tax credit allowable under US federal income tax laws.

A US holder will, upon sale, exchange or redemption of a Subordinated Note, generally recognize capital gain or loss for US federal income tax purposes in an amount equal to the difference between the amount realized (not including amounts received that are attributable to accrued and unpaid interest which has not been included in income, which will be taxable as ordinary interest income) and the US holder's tax basis in the Subordinated Note. Any gain or loss will generally be US source. You should consult your own tax advisor regarding the US federal tax treatment of capital gain or loss.

**UNDERWRITING**

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 Subordinated Notes. Subject to certain conditions, we have agreed to sell to the Underwriters and each Underwriter has severally agreed to purchase the principal amount of Subordinated Notes indicated opposite such Underwriter's name in the following table.

<b>Underwriters</b>	<b>Principal Amount of Subordinated Notes</b>
Goldman, Sachs & Co.	\$ 175,000,000
UBS Securities LLC	\$ 175,000,000
Total	\$ 350,000,000

Subordinated Notes sold by the Underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus supplement. Any Subordinated Notes sold by the Underwriters to securities dealers may be sold at a discount from the initial public offering price of up to 0.30% of the principal amount of the Subordinated Notes. Any such securities dealers may resell any Subordinated Notes purchased from the Underwriters to certain other brokers or dealers at a discount from the initial public offering price of up to 0.25% of the principal amount of the Subordinated Notes. If all the Subordinated Notes are not sold at the initial public offering price, the Underwriters may change the offering price and the other selling terms.

We intend to apply for the listing of the Subordinated Notes on the Luxembourg Stock Exchange. The Subordinated Notes are 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 Subordinated 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 market for the Subordinated Notes.

It is expected that delivery of the Subordinated 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 fifth business day following the date of pricing of the notes (such settlement cycle being referred to as T+5 ). Trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes on the date of pricing or the next business day will be required, by virtue of the fact that the Subordinated Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Subordinated Notes who wish to trade Subordinated Notes on the date of pricing or the next business day should consult their own advisors.

In connection with the offering, the Underwriters may purchase and sell Subordinated 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 Subordinated 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 Subordinated Notes while the offering is in progress.

The Underwriters may also impose a penalty bid. This occurs when a particular Underwriter repays to the Underwriters a portion of the underwriting discount received by it because the Underwriters have repurchased Subordinated 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 Subordinated Notes. As a result, the price of the Subordinated 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. These transactions may be effected on the Luxembourg Stock Exchange, in the over-the-counter market or otherwise.

We will pay certain expenses in connection with the offering, including up to \$30,000 to be paid to the underwriters as partial reimbursement of their expenses.

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

In the ordinary course of their respective businesses, the Underwriters and their affiliates have engaged, and may in the future engage, in investment banking and commercial banking transactions with us or our affiliates.

The offering is being made in compliance with the requirements of Rule 2720 of the National Association of Securities Dealers, Inc. (the NASD ) because RBS Greenwich Capital and Citizens Securities, our wholly-owned indirect subsidiaries may participate in offerings under our shelf registration statement of which this prospectus supplement and the accompanying prospectus are a part. Neither entity is involved in this offering. Maximum underwriting compensation for any offering under our shelf registration statement will not exceed 8% of the offering proceeds.

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

The Subordinated Notes are offered for sale only in jurisdictions where it is legal to make such offers. No Subordinated Notes are being offered to the public in the United Kingdom.

Each Underwriter has represented and agreed that it has not directly or indirectly offered or sold, and will not directly or indirectly offer or sell, in the Netherlands any of the Subordinated Notes with an aggregate amount of less than 50,000 (or its foreign currency equivalent) other than to persons who trade or invest in securities in the conduct of a profession or business (which include banks, stockbrokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises) unless one of the other exemptions from or exceptions to the prohibition contained in article 3 of the Dutch Securities Transactions Supervision Act 1995 (Wet toezicht effectenverkeer 1995) is applicable and the conditions attached to such exemptions or exception are complied with.

Each Underwriter has represented and agreed that:

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

it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the UK Financial Services and Markets Act 2000 (the FSMA )) received by it in connection with the issue or sale of any Subordinated Notes in circumstances in which section 21(1) of the FSMA does not apply to us; and

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

**LEGAL OPINIONS**

Our US counsel, Davis Polk & Wardwell, and US counsel for the underwriters, Sidley Austin Brown & Wood, will pass upon certain legal matters relating to the Subordinated Notes. Our Scottish solicitors, Dundas & Wilson C.S., will pass upon the validity of the Subordinated Notes under Scots law. Our English solicitors, Linklaters, will pass upon the subordination provisions of the Subordinated Notes as well as certain matters of English law relating to the issue and sale of the Subordinated Notes. Sidley Austin Brown & Wood will rely upon the opinion of Dundas & Wilson C.S. with respect to all matters of Scots law and will rely upon the opinion of Linklaters with respect to all matters of English law.

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PROSPECTUS

**THE ROYAL BANK OF SCOTLAND GROUP plc**

By this prospectus we may offer

**DEBT SECURITIES**

**DOLLAR PREFERENCE SHARES**

**TRUST PREFERRED SECURITIES to be issued by any of the RBS Trusts**

up to an aggregate initial offering price of \$5,300,000,000  
or the equivalent thereof.

We will provide the

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

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

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

The date of this prospectus is June 26, 2003.

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