

ROYAL BANK OF SCOTLAND GROUP PLC
Form 6-K
August 25, 2004

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For August 25, 2004

The Royal Bank of Scotland Group plc
(Exact name of registrant as specified in its charter)

42 St Andrew Square
Edinburgh EH2 2YE
United Kingdom
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F

X

Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes

No X

This Report on Form 6-K shall be deemed incorporated by reference into the Registration Statement on Form F-3 (No. 333-100661) filed with the Commission on October 18, 2002 and to be a part thereof from the date on which it was filed, to the extent not superseded by documents or reports subsequently filed or furnished.

THE ROYAL BANK OF SCOTLAND plc

TABLE OF CONTENTS

Memorandum and Articles of Association of the Registrant, as amended (incorporated herein by reference to Exhibit 4.3 to Amendment No. 2 to the Registrant's Form F-3 (File No. 333-100661)).

Item

1

Form of share warrant representing Series M Category II Non-cumulative Dollar Preference Shares in bearer form.	2
Form of American Depositary Receipt, Series M, evidencing American Depositary Shares, Series M, representing Non-cumulative Dollar Preference Shares, Series M.	3
Resolutions of the Board of Directors of the Registrant or an authorized Committee thereof providing for the issuance of Category II Non-cumulative Dollar Preference Shares, Series M.	4

Item 2

SPECIMEN

No. 1

The Royal Bank of Scotland Group plc

(Incorporated with limited liability in Scotland: Registered No. 45551)

**Issue of 37,000,000 Series M Category II Non-cumulative
Dollar Preference Shares of U.S.\$0.01 each**

SHARE WARRANT

The issue of the above-captioned series of Category II Non-cumulative Dollar Preference Shares (the "Series M Preference Shares") of The Royal Bank of Scotland Group plc (the "Company") was authorised by resolutions of the members of the Company passed on 29th April 2004, by resolution of the Board of Directors of the Company passed on 11th February 2004 and by resolutions of a duly constituted committee of the Board of Directors of the Company passed on 16th, 18th and 26th August 2004.

THIS IS TO CERTIFY that the bearer hereof is entitled to 37,000,000 (thirty-seven million) fully paid Series M Preference Shares of the Company.

Dividends on the Series M Preference Shares are payable quarterly in arrear on 31st March, 30th June, 30th September and 31st December of each year, commencing on 30th September 2004, at the rate and subject as mentioned in the Terms and Conditions endorsed hereon.

Payment of any dividend declared and due on the Series M Preference Shares represented by this Share Warrant shall be made at the direction of the bearer of this Share Warrant by transfer to a U.S. dollar account maintained by the payee with a bank in London or in the City of New York. Such payment will be made against presentation of this Share Warrant to The Royal Bank of Scotland plc, 280 Bishopsgate, London EC2M 4RB and otherwise in accordance with the Terms and Conditions endorsed hereon. Details of such payment shall be endorsed by or on behalf of the Company on the Schedule hereto.

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Payments in respect of the amount due on redemption of any of the Series M Preference Shares represented by this Share Warrant shall be made in accordance with the Terms and Conditions endorsed hereon.

Title to this Share Warrant will pass by delivery. The bearer of this Share Warrant shall (to the fullest extent permitted by applicable law) be deemed by the Company to be, and shall be treated by the Company as, the holder and absolute owner of the Series M Preference Shares represented by this Share Warrant for the purpose of receiving payment in respect hereof and for all other purposes notwithstanding any notice of ownership or writing or any notice of previous loss or theft thereof or of any trust or other interest therein and whether or not any payment in respect hereof shall be overdue.

Upon surrender to The Royal Bank of Scotland plc, 280 Bishopsgate, London EC2M 4RB this Share Warrant may be exchanged in whole or in part for (a) one or more certificate(s) representing Series M Preference Shares in registered form (□Certificates□) representing Series M Preference Shares in aggregate equal to the number of Series M Preference Shares represented by this Share Warrant or (b) one or more Certificates and a replacement Share Warrant together representing Series M Preference Shares, in registered or bearer form as applicable, in aggregate equal to the number of Series M Preference Shares represented by this Share Warrant, in each case subject to, and in accordance with, the Memorandum and Articles of Association of the Company and the Terms and Conditions endorsed hereon.

Upon any exchange of the whole or any part of this Share Warrant for Certificates and/or a replacement Share Warrant, this Share Warrant shall be cancelled and destroyed and cease to be valid for any purpose.

The Series M Preference Shares are in all respects subject to the provisions of the Memorandum and Articles of Association of the Company and the Terms and Conditions endorsed hereon.

GIVEN under the Common Seal of the Company.

Director

Director/Secretary

Dated as of 26th August 2004.

Issued in Edinburgh

TERMS AND CONDITIONS

The terms of, and the rights and limitations attaching to, the Series M Preference Shares are contained in the Articles of Association of the Company (as amended) (the □Articles□) and in resolutions of a duly authorised Committee of the Board of Directors of The Royal Bank of Scotland Group plc (the □Company□) passed on 18th August 2004 (together the □Terms of Issue□). Copies of the Terms of Issue are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Company and the principal London office of The Royal Bank of Scotland plc. The statements set out in these Terms and Conditions include certain of, and are subject to the detailed provisions of, the Articles and the Terms of Issue. The holder of a Warrant representing the Series M Preference Shares will be entitled to the benefit of, be bound by and be deemed to have notice of, all the provisions of the Articles and the Terms of Issue.

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(1) The series of Category II Non-cumulative Dollar Preference Shares shall be identified as the [Series M Non-cumulative Dollar Preference Shares] (the [Series M Preference Shares]) and shall form a separate series from (i) the 7,000,000 Series D Category II Non-cumulative Dollar Preference Shares issued on 13th September 1995, the 8,000,000 Series E Category II Non-cumulative Dollar Preference Shares issued on 16th October 1996, the 8,000,000 Series F Category II Non-cumulative Dollar Preference Shares issued on 26th March 1997, the 10,000,000 Series G Category II Non-cumulative Dollar Preference Shares issued on 12th February 1998, the 12,000,000 Series H Category II Non-cumulative Dollar Preference Shares issued on 8th February 1999, the 12,000,000 Series I Category II Non-cumulative Dollar Preference Shares issued on 30th July 1999, the 9,000,000 Series J Category II Non-cumulative Dollar Preference Shares issued on 30th September 1999 and the 16,000,000 Series K Category II Non-cumulative Dollar Preference Shares issued on 12th June 2001 (together, the [Series D to K Preference Shares]), and (ii) the 8,000,000 Category II Non-cumulative Dollar Preference Shares which may be issued by the Company in exchange, in whole or in part, for the Company's 8,000,000 Exchangeable Capital Securities, Series A and the 34,000,000 Category II Non-cumulative Dollar Performance Shares which may be issued by the Company in exchange, in whole or in part, for the Company's 34,000,000 Exchangeable Capital Securities, Series B (the 42,000,000 Category II Non-cumulative Dollar Preference Shares which may be issued as aforesaid being, together, the [Exchange Preference Shares]). The Exchange Preference Shares issued on each exchange of Exchangeable Capital Securities, Series A or Series B will constitute a separate series of Category II Non-cumulative Dollar Preference Shares.

(2) Each Series M Preference Share shall confer the following rights as to participation in the profits and assets of the Company, receipt of notices, attendance and voting at meetings and redemption.

(a) Income

The right (subject to the provisions of paragraph (b) below) to a non-cumulative preferential dividend at an annual rate of US\$1.60 for each Series M Preference Share held, payable in cash in U.S. dollars. The dividend will be payable quarterly in arrear on 31st March, 30th June, 30th September and 31st December of each year (each a [dividend payment date]) to holders of Series M Preference Shares on a record date 15 days prior to a dividend payment date in respect of the three month period ending on such date (each a [dividend period]), commencing with a payment on, and to the holders on a record date 15 days prior to, 30th September 2004 in respect of the initial period from 26th August 2004 to 30th September 2004. Dividends shall be paid on the Series M Preference Shares in priority to the payment of dividends on the Ordinary Shares. The Series M Preference Shares shall rank for dividend after the Cumulative Preference Shares, *pari passu* with the Series D to K Preference Shares, the Exchange Preference Shares of any series and all other New Preference Shares expressed to rank *pari passu* therewith as regards participation in profits and otherwise in priority to any other share capital in the Company.

(b) Further provisions as to income:

All or any of the following provisions shall apply in relation to the Series M Preference Shares:

- (i) if, in the opinion of the Directors, the distributable profits of the Company are sufficient to cover the payment in full of dividends on the Series M Preference Shares on any dividend payment date and also the payment in full of all other dividends stated to be payable on such date on the Series D to K Preference Shares, the Exchange Preference Shares of any series and any other New Preference Shares expressed to rank *pari passu* therewith as regards participation in profits, after payment in full, or the setting aside of a sum to cover the payment in full, of all dividends stated to be payable on such date on any Cumulative Preference Share, then each such dividend shall (subject to the limitations described in this paragraph (b)) be declared and paid in full;
- (ii) the Directors may, in their sole and absolute discretion, resolve prior to any dividend payment date that the dividend (or part thereof) on the Series M Preference Shares shall not be declared and paid, and in that event none (or part only) of the dividend shall be declared and/or paid. The Directors will not be bound to give reasons for exercising their discretion, and may exercise it notwithstanding the previous setting aside of a sum to provide for payment of the dividend;
- (iii) if any dividend or part thereof on any Series M Preference Shares is not payable for the reason specified in sub-paragraph (ii) above:
 - (a) the provisions of sub-paragraphs (x) and (xi) below will not apply in respect of such non-payment. The non-payment will not prevent or restrict (1) the declaration and payment of dividends on any

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other Category II Non-cumulative Dollar Preference Shares or New Preference Shares, (2) the setting aside of sums for payment of such dividends, or (3) the redemption, purchase or other acquisition of shares in the Company by the Company or the setting aside of sums or the establishment of sinking funds for that purpose (subject to sub-paragraph (iii)(c) below);

- (b) no dividend may be declared or paid on any shares in the Company ranking after the Series M Preference Shares as regards participation in profits (including the Ordinary Shares) until such time as the dividend on the Series M Preference Shares in respect of a dividend period has thereafter been declared and paid in full; and
- (c) the Company may not redeem or purchase or otherwise acquire for any consideration any share capital ranking after the Series M Preference Shares, and may not set aside any sum nor establish any sinking fund for that purpose, until such time as dividends on the Series M Preference Shares in respect of four or more successive dividend periods have thereafter been declared and paid in full.

The provisions set out in sub-paragraph (ii) and this sub-paragraph (iii) will prevail over any other provisions of the Terms of Issue in the event of any conflict. For the avoidance of doubt, the Series M Preference Shares will not be treated as ranking after any New Preference Shares with which they are expressed to rank *pari passu* as regards participation in profits, by reason only of the provisions of sub-paragraph (ii) and this sub-paragraph (iii), or any dividend on the Series M Preference Shares not being paid by virtue of those provisions;

- (iv) if, in the opinion of the Directors, the distributable profits of the Company are sufficient to cover the payment in full of dividends on the Series M Preference Shares on any dividend payment date and also the payment in full of all other dividends stated to be payable on such date on the Series D to K Preference Shares, the Exchange Preference Shares of any series and any other New Preference Shares expressed to rank *pari passu* therewith as regards participation in profits, after payment in full, or the setting aside of a sum to cover the payment in full, of all dividends stated to be payable on such date on or before such date on any Cumulative Preference Share, then dividends shall (subject to the limitation described in sub-paragraph (ii) above) be declared by the Directors *pro rata* for the Series D to K Preference Shares, the Series M Preference Shares, the Exchange Preference Shares of any series and such other New Preference Shares to the extent of the available distributable profits (if any) to the intent that (subject to the limitation described in sub-paragraph (ii) above) the amount of dividend declared per share on each such Series D to K Preference Share, Series M Preference Share, Exchange Preference Share of any series and other New Preference Share will bear to each other the same ratio as the dividends accrued per share on each such Series D to K Preference Share, Series M Preference Share, Exchange Preference Share of any series and other New Preference Share bear to each other. If it shall subsequently appear that any such dividend which has been paid should not, in accordance with the provisions of this sub-paragraph (iv), have been so paid, then provided the Directors shall have acted in good faith, they shall not incur any liability for any loss which any shareholder may suffer in consequence of such payment having been made;
- (v) if, in the opinion of the Directors, the payment of any dividend on any Series M Preference Share would breach or cause a breach of the Financial Services Authority's capital adequacy requirements applicable to the Company and/or any of its subsidiaries, then no amount of such dividend shall be declared or paid;
- (vi) subject to sub-paragraph (vii) below, the Series M Preference Shares shall carry no further right to participate in the profits of the Company and if and to the extent that any dividend or part thereof is on any occasion not paid for the reasons described in sub-paragraph (ii), (iv) or (v) above, the holders of such shares shall have no claim in respect of such non-payment;
- (vii) if any dividend or part thereof on any Series M Preference Share is not payable for the reasons specified in sub-paragraph (iv) or (v) above and if they so resolve, the Directors may, subject to the Companies Act 1985, the Companies Act 1989 and every other Act in force concerning companies and affecting the Company (the Statutes), pay a special non-cumulative preferential dividend on the Series M Preference Shares at a rate not exceeding one (1) U.S. cent per share (but so that preference elsewhere herein to any dividend payable on any Series M Preference Share shall not be treated as including a reference to any such special dividend);
- (viii)

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if any date on which dividends are payable on Series M Preference Shares is not a day on which banks in London and the City of New York are open for business, and on which foreign exchange dealings may be conducted in such cities (□a Dollar Business Day□), then payment of the dividend payable on such date will be made on the succeeding Dollar Business Day and without any interest or other payment in respect of such delay unless such day shall fall within the next calendar month whereupon such payment will be made on the preceding Dollar Business Day;

- (ix) the amount of dividend payable in respect of any period shorter than a full dividend period will be calculated on the basis of 12 30-day months, a 360-day year and the actual number of days elapsed in such period;
- (x) if any dividend stated to be payable on the Series M Preference Shares on the most recent dividend payment date has not been declared and paid in full, or if a sum has not been set aside to provide for such payment in full, no dividends may be declared on any other share capital of the Company (other than the Cumulative Preference Shares), and no sum may be set aside for the payment thereof, unless on the date of declaration relative to any such payment, an amount equal to the dividend stated to be payable on the Series M Preference Shares in respect of the then current dividend period is set aside for the payment in full of such dividend on the dividend payment date relating to the then current dividend period; and
- (xi) if any dividend stated to be payable on the Series M Preference Shares on any dividend payment date has not been declared and paid in full, or if a sum has not been set aside to provide for such payment in full, the Company may not redeem or purchase or otherwise acquire for any consideration any other share capital of the Company, and may not set aside any sum nor establish any sinking fund for the redemption or purchase or other such acquisition thereof, until such time as dividends stated to be payable on the Series M Preference Shares in respect of successive dividend periods together aggregating no less than 12 months shall thereafter have been declared and paid in full.

By virtue of (i) Article 4(D)(2)(b)(viii) and (ix) of the Articles forming part of the terms of issue of the Series D to K Preference Shares, the Exchange Preference Shares of any series and any further Category II Non-cumulative Dollar Preference Shares (subject to the Directors determining that such provisions shall apply prior to the allotment of the Category II Non-cumulative Dollar Preference Shares), and (ii) the corresponding provisions of the Articles relating to any other New Preference Shares (but subject to the Directors determining that such corresponding provisions shall apply prior to allotment of the New Preference Shares), if any dividend stated to be payable on any series comprised in the Series D to K Preference Shares, the Exchange Preference Shares of any series, such further Category II Non-cumulative Dollar Preference Shares or the other New Preference Shares on any dividend payment date has not been declared and paid in full, or if a sum has not been set aside to provide for such payment in full, in either case for the reasons set out in sub-paragraph (2)(b)(iv) or (v) above, (a) no dividends may be declared or paid on the Series M Preference Shares and no sum may be set aside for payment thereof, unless on the date of declaration relative to any such payment, an amount equal to the dividend stated to be payable on the Series D to K Preference Shares, the Exchange Preference Shares of any series, such further Category II Non-cumulative Dollar Preference Shares or the other New Preference Shares in respect of the then current dividend period is set aside for the payment in full of such dividend on the dividend payment date relating to the then current dividend period; and (b) the Company may not redeem or purchase or otherwise acquire for any consideration any Series M Preference Shares, and may not set aside any sum nor establish any sinking fund for the redemption or purchase or other such acquisition thereof, until such time as dividends stated to be payable on the Series D to K Preference Shares, the Exchange Preference Shares of any series, such further Category II Non-cumulative Dollar Preference Shares or the other New Preference Shares in respect of successive dividend periods together aggregating no less than 12 months shall thereafter have been declared and paid in full.

(c) Capital

The right on a winding-up or liquidation, voluntary or otherwise, other than a redemption or purchase by the Company of any shares of any class, to receive in U.S. dollars out of the surplus assets of the Company available for distribution amongst the members:

- (i) after payment of the arrears (if any) of the fixed cumulative preferential dividends stated to be payable on the Cumulative Preference Shares to the holders thereof in accordance with the Articles, *pari passu* with the holders of the Series D to K Preference Shares, the Exchange Preference Shares of any series and any other New Preference Shares expressed to rank *pari passu* therewith as regards participation in profits and in priority to the holders of the Ordinary Shares of the Company, a sum equal to:

- (A) the amount of any dividend which is due for payment after the date of commencement of the winding-up or liquidation but which is payable in respect of a period ending on or before such date; and
- (B) any further amount of dividend payable in respect of the period from the preceding dividend payment date to the date of payment in accordance with this sub-paragraph (i);

but only to the extent that (disregarding the Directors' discretion described in sub-paragraph (2)(b)(ii) above, so far as not actually exercised) any such amount or further amount was, or would have been, payable as a dividend in accordance with or pursuant to the Terms of Issue (other than pursuant to this provision); and

- (ii) subject thereto, *pari passu* with the holders of the Cumulative Preference Shares, the Series D to K Preference Shares, the Exchange Preference Shares of any series and any other New Preference Shares expressed to rank *pari passu* therewith as regards participation in surplus assets in priority to the holders of the Ordinary Shares of the Company, a sum equal to the amount paid up or credited as paid up on the Series M Preference Shares (including any premium paid to the Company in respect thereof on issue).

If upon any such winding-up or liquidation, the amounts available for payment are insufficient to cover the amounts payable in full on the Cumulative Preference Shares, the Series D to K Preference Shares, the Series M Preference Shares, the Exchange Preference Shares of any series and any other New Preference Shares expressed to rank *pari passu* therewith as regards participation in surplus assets, then the holders of the Cumulative Preference Shares, the Series D to K Preference Shares, the Series M Preference Shares, the Exchange Preference Shares of any series and such other New Preference Shares will share rateably in the distribution of surplus assets (if any) in proportion to the full respective preferential amounts to which they are entitled. No Series M Preference Share shall confer any right to participate in the surplus assets of the Company other than that set out above. To the extent that the holders of Series M Preference Shares are entitled to any recovery with respect to the Series M Preference Shares in any winding-up or liquidation of the Company, such holders might not be entitled in such proceedings to a recovery in U.S. dollars and might be entitled only to a recovery in pounds sterling.

(d) Receipt of Notices

The right to have sent to the holder of each Series M Preference Share (at the same time as the same are sent to the holders of Ordinary Shares) a copy of the Company's Annual Report and Accounts and Interim Financial Statement together with notice of any General Meeting of the Company at which such holder is entitled to attend and vote.

(e) Attendance and Voting at Meetings

The right to attend at a General Meeting of the Company and to speak to or vote upon any resolution proposed thereat:

- (i) in respect of a resolution which is to be proposed at the General Meeting either varying or abrogating any of the rights attached to the Series M Preference Shares or proposing the winding-up of the Company (and then in each such case only to speak to and vote upon any such resolution); and
- (ii) in the case of a General Meeting held at any time when the dividend stated to be payable on the Series M Preference Shares in respect of the three most recent dividend periods has not been declared and paid in full, and such right shall continue until dividends have thereafter been declared and paid in full in respect of three successive dividend periods,

but not otherwise, together with the right in accordance with the Statutes to seek to requisition a General Meeting of the Company in the circumstances and for the period specified in sub-paragraph (ii) above (for which purpose the Series M Preference Shares will be deemed to confer the number of votes referred to in this paragraph). Whenever holders of Series M Preference Shares are so entitled to vote on a resolution, on a show of hands, every such holder who is present in person shall have one vote and, on a poll, every such holder who is present in person or by proxy shall have one (1) vote for each Series M Preference Share held by such holder, subject to adjustment as hereinafter stated. Such adjustments as the Directors consider necessary to the number of votes to which each Series M Preference Share is entitled shall be made by the Directors at the time of the occurrence of the event requiring such adjustment to reflect (i) any capitalisation issue, consolidation, sub-division or reclassification of

Ordinary Shares as a result of any distribution to the holders of Ordinary Shares of assets of the Company; and (ii) issues of Ordinary Shares or grants of rights or options to subscribe for Ordinary Shares at a discount to the market value of the Ordinary Shares on the business day preceding the date of issue or grant as the case may be, ascertained by reference to the middle market quotation derived from the London Stock Exchange Daily Official List for such preceding business day (subject to the exceptions listed below), in order to ensure as nearly as may be that the ratio which the number of vote(s) in a General Meeting to which the holder of a Series M Preference Share would be entitled on a poll bears to the number of vote(s) to which the holder of an Ordinary Share is entitled in such circumstances will be the same but no higher after than it was before any such event. The exceptions referred to above are (a) rights issues at a discount of no more than 10 per cent. of such market value of the Ordinary Shares, (b) any issue or grant of such number of Ordinary Shares as represents no more than 1 per cent. of the number of Ordinary Shares in issue from time to time for a consideration other than cash (in whole or in part), including, without limitation, for any purchase or acquisition of any shares or any other investments of any kind, or any business, undertaking or assets of any description, by the Company or any subsidiary, (c) issues or grants under the Company's Profit Sharing (Share Ownership) Scheme, Executive Share Option Scheme or Savings-related Share Option Scheme or any additional or successive or substitute schemes and (d) issues pursuant to the provisions of Article 143 of the Articles.

(f) Redemption

The Series M Preference Shares shall, subject to the provisions of the Statutes, be redeemable at the option of the Company in accordance with the following provisions:

- (A) the Company may redeem on any Redemption Date (as hereinafter defined) all or some only of the Series M Preference Shares by giving to the holders of the Series M Preference Shares to be redeemed not less than 30 days, nor more than 60 days, prior notice in writing (a "Notice of Redemption") of the relevant Redemption Date. "Redemption Date" means, in relation to any Series M Preference Share, any date which falls no earlier than 30th September 2009.
- (B) there shall be paid on each Series M Preference Share so redeemed, in U.S. dollars, the aggregate of the nominal amount thereof together with any premium paid on issue and together with arrears (if any) of dividends thereon (whether earned or declared or not) in respect of the period from the dividend payment date last preceding the Redemption Date to the Redemption Date. No Relevant Redemption Premium (as set out in the Articles) shall be payable on redemption of the Series M Preference Shares;
- (C) in the case of a redemption of some only of the Series M Preference Shares, the Company shall for the purpose of determining the particular Series M Preference Shares to be redeemed cause a drawing to be made at the registered office of the Company for the time being or such other place as the Directors may approve in the presence of the Auditors for the time being of the Company;
- (D) any Notice of Redemption given under sub-paragraph (A) above shall specify the applicable Redemption Date, the particular Series M Preference Shares to be redeemed and the redemption price (specifying the amount of the accrued and unpaid dividend per share to be included therein and stating that the dividends on the Series M Preference Shares to be redeemed will cease to accrue on redemption), and shall state the place or places at which documents of title in respect of such Series M Preference Shares are to be presented and surrendered for redemption and payment of the redemption monies is to be effected. Upon such Redemption Date, the Company shall redeem the particular Series M Preference Shares to be redeemed on that date subject to the provisions of this paragraph and of the Statutes. No defect in the Notice of Redemption or in the giving thereof shall affect the validity of the redemption proceedings;
- (E) the provisions described in this and the following sub-paragraphs shall have effect in relation to Series M Preference Shares for the time being issued and registered in the Register of Members ("Registered Shares") and represented by certificates ("Certificates") and in relation to Series M Preference Shares which, in accordance with the Articles, are for the time being issued and represented by a Warrant ("Bearer Shares"). Payments in respect of the amount due on redemption of a Registered Share shall be made by U.S. dollar cheque drawn on a bank in London or in the City of New York or upon the request of the holder or joint holders not later than the date specified for the purpose in the Notice of Redemption by transfer to a U.S. dollar account maintained by the payee with a bank in London or in the City of New York. Such payment will be against presentation and surrender of the relative Certificate at the place or one of the places specified in the Notice of Redemption and if any Certificate so surrendered includes any Series M

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Preference Shares not to be redeemed on the relevant Redemption Date the Company shall within 14 days thereafter issue to the holder, free of charge, a fresh Certificate in respect of such Series M Preference Shares. Payment in respect of the amount due on redemption of a Bearer Share shall be made by dollar cheque drawn on a bank in London or in the City of New York upon the request of the holder not later than the date specified for the purpose in the Notice of Redemption by transfer to a U.S. dollar account maintained by the payee with a bank in London or in the City of New York. Such payment will be made against presentation and surrender of the Warrant and all unmatured dividend coupons and talons (if any) at the place or one of the places specified in the Notice of Redemption. Upon the relevant Redemption Date all unmatured dividend coupons and any talon for additional dividend coupons appertaining thereto (whether or not returned) shall become void and no payment will be made in respect thereof. If the Warrant so surrendered represents any Series M Preference Shares not to be redeemed on the relevant Redemption Date the Company shall issue, free of charge, a fresh Warrant representing such Bearer Shares which are not to be redeemed on such Redemption Date. All payments in respect of redemption monies will in all respects be subject to any applicable fiscal or other laws;

- (F) as from the relevant Redemption Date the dividend on any Series M Preference Share due for redemption shall cease to accrue except on any such Series M Preference Share in respect of which, upon the due surrender of the Certificate or, as the case may be, the Warrant and all unmatured dividend coupons and talons (if any) in respect thereof, as described in sub-paragraph (E) above, payment of the redemption monies due on such Redemption Date shall be improperly withheld or refused, in which case such dividend, at the rate then applicable, shall be deemed to have continued and shall accordingly continue to accrue from the relevant Redemption Date to the date of payment of such redemption monies. Such Series M Preference Share shall not be treated as having been redeemed until the redemption monies in question together with the accrued dividend thereon shall have been paid;
- (G) if the due date for the payment of the redemption monies on any Series M Preference Share is not a Dollar Business Day then payment of such monies will be made on the next succeeding day which is a Dollar Business Day and without any interest or other payment in respect of such delay unless such day shall fall within the next calendar month whereupon such payment will be made on the preceding Dollar Business Day; and
- (H) the receipt of the holder for the time being of any Registered Share (or in the case of joint holders the receipt of any one of them) and the receipt of the person delivering any Warrant to the place or one of the places specified as described in sub-paragraph (D) above in respect of the monies payable on redemption on such Registered Share or, as the case may be, such Bearer Share, shall constitute an absolute discharge to the Company.

(g) Purchase

Subject to the provisions of the Statutes and any other applicable laws, the Company may at any time and from time to time purchase any Series M Preference Shares upon such terms as the Directors shall determine provided that (in the case of Series M Preference Shares which are listed on the London Stock Exchange) the purchase price, exclusive of expenses and accrued dividends, shall not exceed (i) in the case of a purchase in the open market, or by tender (which shall be available alike to all holders of the Series M Preference Shares), the average of the closing middle market quotations of such Series M Preference Shares on the London Stock Exchange (as derived from the London Stock Exchange Daily Official List) for the last 10 dealing days preceding the date of purchase or (if higher), in the case of a purchase in the open market only, the market price on the date of purchase provided that such market price is not more than 105 per cent. of such average and (ii) in the case of a purchase by private treaty, 120 per cent. of the closing middle market quotation of such Series M Preference Shares on the London Stock Exchange (as derived from the London Stock Exchange Daily Official List) for the last dealing day preceding the date of purchase; but so that this proviso shall not apply to any purchase of Series M Preference Shares made in the ordinary course of a business of dealing in securities.

(h) Variation of Rights

- (A) Save with the written consent of the holders of three-quarters in nominal value of, or with the sanction of an Extraordinary Resolution passed at a separate meeting of the holders of the Series M Preference Shares, the Directors shall not authorise or create, or increase the amount of, any shares of any class or any security convertible into shares of any class ranking as regards rights to participate in the profits or assets of the Company (other than on a redemption or purchase by the Company of any such shares) in priority to the Series M Preference Shares.

- (B) The special rights attached to the Series M Preference Shares shall be deemed to be varied by the creation or issue of any New Preference Shares or any further shares in the capital of the Company thereafter issued by the Company (□New Shares□) ranking as regards participation in the profits or assets of the Company in some or all respects *pari passu* with such Series M Preference Shares if the dividend stated to be payable on the Series M Preference Shares on the dividend payment date immediately preceding such issue shall not have been paid in full but, subject thereto, such special rights shall not be deemed to be varied by the creation or issue of any New Shares ranking as to participation in the profits or assets of the Company in some or all respects *pari passu* with or after such Series M Preference Shares. Any New Shares ranking in some or all respects *pari passu* with such Series M Preference Shares may without their creation or issue being deemed to vary the special rights attached to any Series M Preference Shares then in issue either carry rights identical in all respects with such Series M Preference Shares or any of them or carry rights differing therefrom in any respect, including but without prejudice to the generality of the foregoing, in that:
- (i) the rate or means of calculating the dividend may differ and the dividend may be cumulative or non-cumulative;
 - (ii) the New Shares or any series thereof may rank for dividend as from such date as may be provided by the terms of issue thereof and the dates for payment of dividend may differ;
 - (iii) the New Shares may be denominated in sterling or in any foreign currency which for these purposes means any lawful currency other than sterling;
 - (iv) a premium may be payable on return of capital or there may be no such premium;
 - (v) the New Shares may be redeemable at the option of the holder or of the Company, or may be non-redeemable and if redeemable at the option of the Company, they may be redeemable at different dates and on different terms from those applying to any Series M Preference Shares; and
 - (vi) the New Shares may be convertible into Ordinary Shares or any other class of shares ranking as regards participation in the profits and assets of the Company *pari passu* with or after such Series M Preference Shares in each case on such terms and conditions as may be prescribed by the terms of issue thereof.
- (C) In these Terms and Conditions, capitalised terms used but not defined herein shall, where the context so admits, bear the meaning given to them in the Articles.

SCHEDULE			
Payments of dividends on the Series M Preference Shares			
The following dividend payments in respect of the Series M Preference Shares represented by this Share Warrant have been made:□			
Date Made	Amount of dividend due U.S.\$	Amount of dividend paid U.S.\$	Notation by or on behalf of the Company

Item 3



AMERICAN DEPOSITARY RECEIPT, SERIES M
evidencing
AMERICAN DEPOSITARY SHARES, SERIES M
representing
NON-CUMULATIVE DOLLAR PREFERENCE
SHARES, SERIES M

of

THE ROYAL BANK OF SCOTLAND GROUP plc

(Each American Depositary Share represents one (1) deposited Share)

(Incorporated under the laws of Great Britain and registered in Scotland)

The Bank of New York, a New York banking corporation, as Depositary (the []Depositary[]), hereby certifies that

**CUSIP 780097 79 6
SEE REVERSE FOR CERTAIN**

DEFINITIONS

representing deposited Non-cumulative Dollar Preference Shares, Series M (including evidence of rights to receive such Shares, hereinafter referred to as "Shares") of The Royal Bank of Scotland Group plc, a public limited company incorporated under the laws of Great Britain and registered in Scotland (the "Company"). At the date hereof, each American Depositary Share represents one (1) Share deposited under the Deposit Agreement (as defined below) at the principal London office of The Bank of New York, a New York banking corporation (the "Custodian").

(1) This American Depositary Receipt is one of the American Depositary Receipts, Series M (the "Receipts") issued and to be issued upon the terms and conditions set forth in the Deposit Agreement dated as of August 17, 1992, as amended and restated as of February 8, 1999, and as further amended and restated as of November 2, 2001 (as amended from time to time, the "Deposit Agreement"), among the Company, the Depositary and all holders and owners from time to time of Receipts of any series issued thereunder, each of whom by holding or owning a Receipt agrees to become a party thereto and becomes bound by all the terms and provisions thereof. The Deposit Agreement sets forth the rights of holders of the Receipts and the rights and duties of the Depositary in respect of the Shares deposited thereunder and any and all other securities, property and cash from time to time received in respect thereof (the "Deposited Securities"). Copies of the Deposit Agreement are on file at the principal offices of the Depositary and the Custodian. The statements made on the face and the reverse of this Receipt are summaries of certain provisions of the Deposit Agreement as such provisions apply to the Receipts, the Shares and the American Depositary Shares and are qualified by and subject to the detailed

other reason, subject to the following sentence. The surrender of outstanding Receipts and withdrawal of Deposited Securities may not be suspended subject only to (i) temporary delays caused by closing the transfer books of the Depositary or the Company or the deposit of shares in connection with voting at a shareholders' meeting, or the payment of dividends, (ii) the payment of fees, taxes and similar charges, and (iii) compliance with any U.S. or foreign laws or governmental regulations relating to the Receipts or to the withdrawal of the Deposited Securities. Without limitation of the foregoing, the Depositary will not knowingly accept for deposit under the Deposit Agreement any Shares which, if sold by the holder thereof in the United States or its territories, would be subject to the registration provisions of the Securities Act 1933, as amended, unless a registration statement is in effect as to such Shares.

(4) If any tax or other governmental charge shall become payable with respect to this Receipt or any Deposited Securities represented hereby, such tax or other governmental charge shall be payable by the holder hereof to the Depositary. The Depositary may refuse to effect any registration of transfer of this Receipt or any transfer and withdrawal of Deposited Securities represented by this Receipt until such payment is made, and may withhold any dividends or other distributions, or may sell for the account of the holder hereof any part or all of the other Deposited Securities represented hereby, and may apply such dividends or other distributions or the proceeds of any such sale in payment of such tax or other governmental charge, the holder hereof remaining liable for any deficiency.

(5) Every person depositing Shares under the Deposit Agreement shall be deemed thereby to represent and warrant that such Shares and each certificate therefor are validly issued and outstanding, fully paid, nonassessable and free of pre-emptive rights and that the person making such deposit is duly authorized so to do. Such representations and warranties shall survive the deposit of Shares and issuance of Receipts therefor.

(6) Notwithstanding any other provision of the Deposit Agreement and without prejudice to any disclosure obligations which may from time to time apply in respect of the Shares contained in the Companies Act 1985 and any other applicable law or which may be contained in the Memorandum and Articles of Association of the Company and the

provisions of the Deposit Agreement, to which reference is hereby made. The Depositary makes no representation or warranty as to the validity or worth of the Deposited Securities or the meaning or interpretation of any term or provision of any Deposited Security.

(2) Upon surrender at the Depositary's Office (set forth below) of this Receipt, and upon payment of the fee of the Depositary provided in paragraph (7) of this Receipt, subject to the terms and conditions of the Deposit Agreement, and subject to the limitations set forth in the second to last sentence of Article 3 below, the holder hereof is entitled to delivery, to him or upon his order, of the Deposited Securities then represented by the American Depositary Shares evidenced by this Receipt. Delivery of such Deposited Securities shall be made in registered form only by the delivery of a share certificate or certificates in the name of the holder hereof or as ordered by such holder or by the delivery of certificates properly endorsed (or accompanied by appropriate instruments of transfer). Such delivery will be made without unreasonable delay and, at the option of the holder hereof, either at the office of the Custodian or at the Depositary's Office, provided that the forwarding of share certificates evidencing Deposited Securities for such delivery at the Depositary's Office in The City of New York shall be at the risk and expense of the holder hereof.

(3) Transfers of this Receipt may be registered on the books of the Depositary by the holder hereof in person or by duly authorized attorney, upon surrender of this Receipt at any designated transfer office properly endorsed or accompanied by proper instruments of transfer and duly stamped as may be required by applicable law; provided, however, that the Depositary may close the transfer books, at any time or from time to time, when deemed expedient by it in connection with the performance of its duties under the Deposit Agreement or at the request of the Company. This Receipt may be split into other Receipts or may be combined with other Receipts into one Receipt, evidencing the same aggregate number of American Depositary Shares as the Receipt or Receipts surrendered. As a condition precedent to the execution and delivery, registration of transfer, split-up, combination or surrender of any Receipt or the transfer or withdrawal of any Deposited

remedies of the Company for non-compliance therewith, each holder agrees to comply with requests from the Company or the Depositary which are made under relevant legislation to provide information, inter alia, as to the capacity in which such holder owns Receipts and regarding the identity of any other person having an interest in such Receipts and the nature of such interest and shall forfeit the right to direct the voting of Shares as to which compliance is not made, all as if such Receipts were to the extent practicable the Shares represented thereby, and the Depositary agrees to use its reasonable efforts to comply with any instructions received from the Company requesting that the Depositary take the reasonable actions specified therein to obtain such information.

(7) The Depositary will charge the party to whom Receipts are delivered against deposits (with the exception of the initial deposit of Shares), and the party surrendering Receipts for delivery of Deposited Securities, \$5 for each 100 American Depositary Shares (or portion thereof) evidenced by the Receipts issued or surrendered. The Company will pay all other charges and expenses of the Depositary and those of any Receipt registrar, with the exception of (i) taxes and other governmental charges, (ii) stock transfer and registration fees on deposits of Shares and withdrawals of Deposited Securities, (iii) such cable, telex and facsimile transmission and delivery charges as are expressly provided in the Deposit Agreement to be at the expense of persons depositing or withdrawing Shares or holders of Receipts, and (iv) such expenses as are incurred or paid by the Depositary in the conversion of foreign currency, if any, into United States dollars (which are reimbursable out of such foreign currency).

(8) It is a condition of this Receipt, and every successive holder or owner hereof by holding or owning the same consents and agrees, that title to this Receipt (and to the Deposited Securities represented by the American Depositary Shares evidenced hereby), when properly endorsed or accompanied by proper instruments of transfer, is transferable by delivery with the same effect as in the case of a negotiable instrument; provided, however, that the Company and the Depositary, notwithstanding any notice to the contrary, may treat the person in whose name this Receipt is registered on the books of the Depositary (a "Holder") as the absolute owner hereof for the purpose of determining the person entitled to distribution of dividends or other distributions with respect hereto (including distributions upon the redemption of the Deposited Securities) or to any notice provided for in the Deposit Agreement and for all other purposes.

(9) This Receipt shall not be entitled to any benefits under the Deposit Agreement or be valid or obligatory for any purpose, unless this Receipt shall have been executed by the Depositary by the manual signature of a duly authorized officer or, if a registrar for the Receipts shall have been appointed, by the manual signature of a duly authorized officer of such registrar.

(10) The Company is subject to the periodic reporting requirements of the Securities Exchange Act of 1934, as amended, and accordingly files certain reports with the Securities and Exchange Commission (the "Commission"). Such reports and other information may be inspected and copied at the public reference facilities maintained by the Commission located at the date of the Deposit Agreement at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549.

Securities, the Depositary or the Custodian may require payment of a sum sufficient to reimburse it for any tax or other governmental charge and any stock transfer or registration fees with respect thereto and payment of any applicable fees as provided in paragraph (7) of this Receipt, may require the production of proof satisfactory to it as to the identity and genuineness of any signature and may also require compliance with any laws or governmental regulations relating to Receipts or to the withdrawal of Deposited Securities.

The Depositary may refuse to execute and deliver Receipts, register the transfer of any Receipt or make any distribution of, or related to, Deposited Securities until it has received such proof of citizenship, residence, exchange control approval, legal or beneficial ownership of Receipts, Deposited Securities or other securities, compliance with all applicable laws and regulations and all applicable provisions of or governing Deposited Securities, or other information as it may deem necessary or proper or as the Company may require by written request to the Depositary or the Custodian. The delivery of Receipts against deposits of Shares generally or against deposits of particular Shares may be suspended, or the delivery of Receipts against the deposit of particular Shares may be withheld, or the registration of transfer or surrender of Receipts in particular instances may be refused, or the registration of transfer or surrender of outstanding Receipts generally may be suspended, during any period when the transfer books of the Depositary, or the transfer books of the Company or any Share registrar, are closed, or if any such action is deemed necessary or advisable by the Depositary or the Company at any time or from time to time, or for any

Dated:

THE BANK OF NEW YORK,

Countersigned:

as Depositary

THE DEPOSITARY'S CORPORATE TRUST OFFICE ADDRESS IS
101 BARCLAY STREET, NEW YORK, N.Y. 10286

AUTHORIZED SIGNATORY

By:

CHRISTOPHER R. STURDY
MANAGING DIRECTOR

SUMMARY OF CERTAIN ADDITIONAL PROVISIONS OF THE DEPOSIT AGREEMENT

(11) Dividends and Distributions; Rights. Whenever the Depositary shall receive any cash dividend or other cash distribution by the Company in respect of any Deposited Securities (including cash in respect of redemption), if such cash dividend or other cash distribution is received in United States dollars, the Depositary shall distribute the dollars so received, and if such cash dividend or other cash distribution is received in a currency other than United States dollars, the Depositary will, if at the time of receipt thereof such amounts of foreign currency can in the judgment of the Depositary be converted on a reasonable basis into United States dollars transferable to the United States and subject to the provisions of the Deposit Agreement, convert such dividend or distribution into United States dollars and distribute the amount thus received, in either case to the Holders entitled thereto in proportion to the number of American Depositary Shares representing such Deposited Securities held by them respectively; provided, however, that the amount distributed will be reduced by any amounts required to be withheld by the Company, its agent or the Depositary on account of taxes. If in the judgment of the Depositary amounts received in foreign currency may not be converted on a reasonable basis into United States dollars transferable to the United States, or may not be so convertible for all of the Holders entitled thereto, the Depositary may in its discretion make such conversion, if any, and distribution in United States dollars to the extent permissible to the Holders entitled thereto and may distribute the balance of the foreign currency received and not so convertible by the Depositary to, or hold such balance for the account of, the Holders entitled thereto. If in the opinion of the Depositary any distribution other than cash or Shares upon any Deposited Securities cannot be made proportionately among the Holders entitled thereto, or if for any other reason the Depositary deems such distribution not to be feasible, the Depositary may adopt such method as it may deem equitable for the purpose of effecting such distribution, including the public or private sale of the securities or property thus received, or any part thereof, and the net proceeds of any such sale will be distributed by the Depositary to the Holders entitled thereto as in the case of a distribution received in cash. If any distribution upon any Deposited Securities consists of a dividend in, or free distribution of, Shares, the Depositary may with the Company's approval, and shall if the Company shall so request, distribute to the Holders entitled thereto, in proportion to the number of American Depositary Shares representing such Deposited Securities held by them respectively, additional Receipts for an aggregate number of American Depositary Shares representing the amount of Shares received as such dividend or free distribution. In lieu of delivering Receipts for fractional American Depositary Shares in any such case, the Depositary may sell the amount of Shares represented by the aggregate of such fractions and distribute the net proceeds as though such proceeds had been a distribution of cash or other property. If additional Receipts are not so distributed, each American Depositary Share shall thenceforth also represent the additional Shares distributed upon the Deposited Securities represented thereby. In the event that the Company shall offer or cause to be offered to the holder of any Deposited Securities any rights to subscribe for additional Shares or any rights of any other nature, the Depositary, after consultation with the Company and subject to the Memorandum and Articles of Association, the Companies Act 1985 and all applicable legislation and regulations, shall have discretion as to the procedure to be followed in making such rights available to Holders or in disposing of such rights on behalf of Holders; provided, however, that the Depositary will, if requested by the

Securities so received in exchange or conversion, unless additional Receipts are delivered pursuant to the following sentence. In any such case the Depositary may with the Company's approval, and shall if the Company shall so request, execute and deliver additional Receipts as in the case of a stock dividend, or call for the surrender of outstanding Receipts to be exchanged for new Receipts.

(16) Reports; Inspection of Transfer Books. The Depositary will make available for inspection by Holders at the Depositary's Office and at any other designated transfer offices any reports and communications received from the Company which are both (a) received by the Depositary as the holder of the Deposited Securities, and (b) made generally available to the holder or holders of such Deposited Securities by the Company. Upon the written request of the Company, the Depositary will also send to Holders copies of such reports when furnished by the Company as provided in the Deposit Agreement. The Depositary will arrange for the mailing to all Holders of any notice received by it in respect of any meeting at which holders of Deposited Securities are entitled to be present or to vote, or of any reconvening of any such meeting that has been adjourned, or of the taking of any action in respect of any cash or other distribution or any redemption or the offering of any rights in respect of Deposited Securities. The Depositary will keep books for the registration of Receipts and their transfer which at all reasonable times will be open for inspection by the Holders, provided that such inspection shall not be for the purpose of communicating with Holders in the interest of a business or object other than the business of the Company or a matter related to the Deposit Agreement or the Receipts.

(17) Withholding. Notwithstanding any other provision of the Deposit Agreement, in the event that the Depositary determines that any distribution in property (including Shares or rights to subscribe therefor) is subject to any tax which the Depositary is obligated to withhold, the Depositary may dispose of all or a portion of such property (including Shares and rights to subscribe therefor) in such amounts and in such manner as the Depositary deems necessary and practicable to pay such taxes, by public or private sale, and the Depositary shall distribute the net proceeds of any such sale after deduction of such taxes to the Holders entitled thereto.

(18) Liability of the Company and Depositary. Neither the Depositary nor the Company shall incur any liability to any Holder of this Receipt, if by reason of any provision of any present or future law of any country, or of any governmental authority, or by reason of any provision, present or future, of the Memorandum or Articles of Association of the Company or of the Deposited Securities or by reason of any act of God or war or other circumstance beyond its control, the Depositary or the Company shall be prevented or forbidden from, or delayed in, doing or performing any act or thing which by the terms of the Deposit Agreement it is provided shall be done or performed. Neither the Company nor the Depositary assumes any obligation or shall be subject to any liability under the Deposit Agreement to Holders, except to perform such obligations as are specifically set forth in the Deposit Agreement without gross negligence or bad faith. Neither the Depositary nor the Company shall be under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any Deposited Securities or in respect of the Receipts, which in its opinion may involve it in expense and liability, unless indemnity satisfactory to it against all expense and liability shall be furnished as often as may be required, and the Custodian shall not be under any obligation whatsoever with respect to such proceedings, the

Company, either (a) make such rights available to Holders by means of warrants or otherwise, if lawful and feasible, or (b) if making such rights available is not lawful or not feasible, or if the rights represented by such warrants or other instruments are not exercised and appear to be about to lapse, sell such rights or warrants or other instruments at public or private sale, at such place or places and upon such terms as the Depositary may deem proper, and allocate the proceeds of such sales for the account of the Holders otherwise entitled thereto upon an averaged or other practicable basis without regard to any distinctions among such Holders because of exchange restrictions, or the date of delivery of any Receipt or Receipts, or otherwise.

(12) Redemption. In the event that the Company exercises any right of redemption in respect of Shares, the Depositary will redeem, from the amounts received by it in respect of such redemption, that number of American Depositary Shares which represents the number of Shares so redeemed. Subject to certain provisions of the Deposit Agreement regarding payments or the making of distributions with respect to the Deposited Securities, the redemption price per American Depositary Share to be redeemed will be equal to the per share amount received by the Depositary upon the redemption of the Shares multiplied by the number of Shares (or the fraction of a Share) represented by each such American Depositary Share. If less than all of the outstanding Shares are redeemed, the American Depositary Shares to be redeemed will be selected by lot or redeemed pro rata as may be determined by the Depositary.

The Company will deliver notice of its exercise of its right of redemption to the Depositary prior to the date fixed for redemption. Promptly after receiving such notice from the Company, the Depositary will mail copies thereof to all Holders of Receipts.

(13) Record Dates. Whenever any cash dividend or other cash distribution shall become payable or any distribution other than cash shall be made, or whenever rights shall be issued, with respect to the Deposited Securities, or whenever the Company shall redeem any of the Shares, or whenever the Depositary shall receive notice of any meeting at which holders of Shares or other Deposited Securities shall be entitled to be present or vote, the Depositary will fix a record date for the determination of the Holders who shall be entitled to receive such dividend, distribution, amounts in respect of redemption or rights, or the net proceeds of any sale thereof, or to attend or to give instructions for the exercise of voting rights at any such meeting, subject to the provisions of the Deposit Agreement.

(14) Voting of Deposited Securities. Upon receipt of notice of any meeting at which holders of Deposited Securities are entitled to vote, the Depositary will mail to the Holders a notice which will contain (a) such information as is contained in such notice of meeting and (b) a statement that the Holders at the close of business on a specified record date will be entitled to instruct the Depositary as to the exercise of the voting rights pertaining to the number of Shares or other Deposited Securities represented by their respective American Depositary Shares evidenced by such Holders' Receipts, and a brief statement as to the manner in which such instructions may be given. Subject to Article 6 above, upon the written request of a Holder of a Receipt or Receipts on such record date, received on or before the date established by the Depositary for such purpose, the Depositary will endeavor insofar as practicable to vote or cause to be voted the number of Shares or other Deposited Securities underlying the American Depositary Shares evidenced by such Receipt or Receipts in accordance with any such nondiscretionary instructions. The Depositary shall not

responsibility of the Custodian being solely to the Depositary. Neither the Depositary nor the Company shall be liable for any action or non-action by it in reliance upon the advice of or information from legal counsel, accountants, any person presenting Shares for deposit, any Holder, or any other person believed by it in good faith to be competent to give such advice or information. The Depositary will not be responsible for any failure to carry out any instructions to vote any of the Deposited Securities, or for the manner in which any such vote is cast or the effect of any such vote, provided that any such action or non-action is in good faith. The Depositary may own and deal in any class of securities of the Company and its affiliates and in Receipts. The Company shall indemnify the Depositary and the Custodian against, and hold each of them harmless from, any loss, liability or expense which may arise out of acts performed or omitted in accordance with the provisions of the Deposit Agreement and the Receipts, as the same may be amended from time to time, (i) by the Depositary or the Custodian, except for any liability arising out of the negligence or bad faith of either of them or (ii) by the Company or any of its agents.

(19) Resignation and Removal of Depositary;

Substitution of Custodian. The Depositary may at any time resign as Depositary under the Deposit Agreement with respect to the Receipts by written notice of its election to do so delivered to the Company, such resignation to take effect upon the appointment of a successor depositary and its acceptance of such appointment as provided in the Deposit Agreement. The Depositary may at any time be removed by the Company, effective upon the appointment of a successor depositary and its acceptance of such appointment as provided in the Deposit Agreement. The Depositary may at any time appoint one or more substitute custodians and the term "Custodian" shall refer to each substitute.

(20) Amendment of Deposit Agreement and

Receipts. The Receipts and the Deposit Agreement as it applies to the Receipts may at any time and from time to time be amended by agreement between the Company and the Depositary. Any amendment which shall impose or increase any fees or charges (other than taxes or other governmental charges), or which shall otherwise prejudice any substantial existing right of Holders, shall not, however, become effective as to outstanding Receipts until the expiration of thirty days after notice of such amendment shall have been given to the Holders of outstanding Receipts. Every Holder at the time any amendment so becomes effective, if such Holder shall have been given such notice, shall be deemed, by continuing to hold such Receipt, to consent and agree to such amendment and to be bound by the Deposit Agreement as amended thereby. In no event shall any amendment impair the right of the Holder to surrender this Receipt and receive therefor the Deposited Securities represented hereby.

(21) Termination of Deposit Agreement. The Depositary will at any time at the direction of the Company terminate the Deposit Agreement by mailing notice of such termination to the Holders of all Receipts then outstanding at least 30 days prior to the date fixed in such notice for such termination. The Depositary may likewise terminate the Deposit Agreement by mailing notice of such termination to the Company and the Holders of all Receipts then outstanding at any time 60 days after the Depositary shall have resigned, if a successor depositary shall not have been appointed and accepted its appointment. If any Receipts shall remain outstanding after the date of termination of the Deposit Agreement, the Depositary thereafter shall discontinue the registration of transfers of Receipts, shall suspend the distribution of dividends to the Holders thereof, and shall not give any further notices or perform any further acts under the

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Corporation or by a bank or trust company having an office or correspondent in the City of New York) meeting the requirements of the Depository, which requirements will include membership or participation in STAMP or such other "signature guarantee program" as may be determined by the Depository in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

Item 4

MINUTES of Meeting of a Committee of the Board of Directors of THE ROYAL BANK OF SCOTLAND GROUP plc held by telephone between The Younger Building The Gyle Edinburgh and 42 St Andrew Square Edinburgh on Monday, 16 August 2004

PRESENT

Mr F I Watt, Group Finance Director in the Chair

Mr N C McLuskie, Chairman, Retail Direct

IN ATTENDANCE

Mr H Campbell, Deputy Secretary

LAUNCH OF ISSUE OF CATEGORY II NON-CUMULATIVE DOLLAR PREFERENCE SHARES

The Committee had been appointed at the Board meeting held on 11 February 2004 as a Committee of the Board of Directors with the authority to approve, *inter alia*, the terms of issue by the Company of preference shares, capital securities or loan capital up to £10 billion in aggregate (or a foreign currency equivalent thereof), such approval to expire on 31 March 2005.

It was noted that the Company, acting on the advice of Citigroup Global Markets Inc., proposed to issue Category II Non-cumulative Dollar Preference Shares of US\$0.01 each in the capital of the Company, to be designated "Series M" (the "Series M Preference Shares") at a subscription price of US\$25.00 per Series M Preference Share, such Series M Preference Shares to be represented by and listed in the form of American Depositary Shares (the "ADSs") evidenced by American Depositary Receipts on the New York Stock Exchange, and that certain of the terms of issue of the Series M Preference Shares, by the terms of the Company's Articles of Association, were to be determined by the Directors prior to allotment thereof.

After due consideration, IT WAS RESOLVED THAT the Company should issue the Series M Preference Shares.

Mr Campbell explained that it was proposed to issue the Series M Preference Shares into the United States market under the Form F-3 Shelf Registration Statement approved for filing with the United States Securities and Exchange Commission (the "SEC") by a Committee of the Board on 17 October 2002, filed with the SEC on 18 October 2002, amended by Amendment No. 1 and Post-Effective Amendment No. 2 on 19 December 2002 and 22 June 2004, respectively, and declared effective by the SEC on 22 January 2003 (Post-Effective Amendment No.

2 having become effective upon filing with the SEC on 22 June 2004) (the "Shelf Registration Statement") and that in connection with such an issue it would be necessary to prepare a prospectus supplement (the "Prospectus Supplement"), supplemental to the base prospectus (the "Prospectus") forming part of the Shelf Registration Statement.

It was noted that, at an Annual General Meeting of the Company held on 29 April 2004, the shareholders had conferred upon the Board of Directors authority to allot during the period commencing 29 April 2004 and ending 29 April 2009 up to 250,000,000 Category II Non-cumulative Dollar Preference Shares and that none of such shares have since been issued.

Mr Campbell confirmed that the UK Financial Services Authority had been notified of the issue of the Series M Preference Shares and had confirmed (subject to certain conditions) the regulatory treatment of the Series M Preference Shares as Core Tier 1 capital.

Accordingly, IT WAS RESOLVED:

- (a) THAT it was desirable and in the best interests of the Company that the Company issue the Series M Preference Shares, to be offered and sold in the United States pursuant to the Shelf Registration Statement and elsewhere and the Committee hereby authorises:
 - (i) the issue and sale of the Series M Preference Shares to be issued and sold by the Company to the underwriters of the issue, being Citigroup Global Markets Inc., Greenwich Capital Markets, Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. Incorporated, UBS Securities LLC and Wachovia Capital Markets LLC (the "Underwriters");
 - (ii) the issue of a preliminary Prospectus Supplement, if any, and of a final Prospectus Supplement to be filed with the SEC;
 - (iii) the registration of the Series M Preference Shares under the United States Securities Act of 1933, as amended (the "Securities Act") and the Securities Exchange Act of 1934, as amended (the "Exchange Act"); and
 - (iv) the listing of the Series M Preference

2

Shares and related ADSs on the New York Stock Exchange;

- (b) THAT any Director, the Secretary, the Capital Raising Director, the Deputy Secretary or any Assistant Secretary of the Company, or any attorney of the Company in terms of the Power of Attorney dated 29 October 2003 and registered in the Books of Council and Session in Edinburgh on 7 November 2003 (an "Attorney"), be, and each of them hereby is, authorised to sign in the name and on behalf of the Company an underwriting agreement between the Company and the Underwriters in relation to the Series M Preference Shares and to sign in the name and on behalf of the Company and to cause to be filed with the SEC a Registration Statement on Form 8-A for the registration under the Exchange Act of the Series M Preference Shares and the ADSs representing the Series M Preference Shares;

- (c) THAT any Director, the Secretary, the Capital Raising Director, the Deputy Secretary or any Assistant Secretary of the Company, or any Attorney, be, and each of them hereby is, authorised to prepare, execute and file with the New York Stock Exchange a listing application (in both preliminary and final form) for the purpose of listing the Series M Preference Shares and the related ADSs on the New York Stock Exchange, and to execute and deliver in the name and on behalf of the Company a Listing Agreement with the New York Stock Exchange and such other agreements, certificates and instruments as the Director, the Secretary, the Capital Raising Director, the Deputy Secretary or any Assistant Secretary or any Attorney, so acting shall approve for the purpose of the listing of the Series M Preference Shares and related ADSs on the New York Stock Exchange, such approval being conclusively evidenced by the execution and delivery thereof;
- (d) THAT any Director, the Secretary, the Capital Raising Director, the Deputy Secretary or any Assistant Secretary of the Company, or any Attorney, be, and each of them hereby is, authorised and directed in the name and on behalf of the Company to take any and all action which they may deem necessary or advisable in order to effect the registration or qualification of part or all

3

of the Series M Preference Shares of the Company for offer and sale under the securities or Blue Sky laws of any of the states of the US, and in connection therewith to execute, acknowledge, verify, deliver, file and publish all such applications, reports, issuer's covenants, resolutions and other papers and instruments as may be required under such laws, and to take any and all further action which they may deem necessary or advisable in order to maintain any such registration or qualification for as long as they deem to be in the best interests of the Company;

- (e) THAT any Director, the Secretary, the Capital Raising Director, the Deputy Secretary or any Assistant Secretary of the Company, or any Attorney, be, and each of them hereby is, authorised and directed in the name and on behalf of the Company to execute and file irrevocable written consents on the part of the Company to be used in such states of the US wherein such consents to service of process may be required under the securities laws thereof in connection with the said registration or qualification of the Series M Preference Shares; and
- (f) THAT any Director, the Secretary, the Capital Raising Director, the Deputy Secretary or any Assistant Secretary of the Company, or any Attorney, be, and each of them hereby is, authorised and directed to take such other action and to execute and deliver any and all such documents as he deems necessary or advisable to carry into effect the foregoing resolutions and to effect the registration, issuance and sale of the Series M Preference Shares and related ADSs.

The Committee then reviewed the final draft of a Company announcement in connection with the issue of the Series M Preference Shares to be dated 16 August 2004.

After due consideration, IT WAS RESOLVED THAT the Company announcement be and is hereby approved in the form or substantially in the form of the draft dated 16 August 2004 tabled at the meeting AND THAT any Director, the Secretary, the Capital Raising Director, the Deputy Secretary or

any Assistant Secretary of the Company, or any Attorney, be, and each of them hereby is, authorised to approve such amendments to the Company

4

announcement as they may consider necessary or expedient and to arrange for the issue of the Company announcement to the London Stock Exchange and the New York Stock Exchange.

It was noted that utilisation under the Shelf Registration Statement currently stood at US\$3,450,000,000 (leaving a capacity of US\$3,550,000,000), excluding this issue.

There being no further business, the Chairman declared the meeting closed.

Certified a true extract.

/s/ Hew Campbell

Hew Campbell
Deputy Secretary

5

MINUTES of Meeting of a Committee of the Board of Directors of THE ROYAL BANK OF SCOTLAND GROUP plc held by telephone between 280 Bishopsgate London and 42 St Andrew Square Edinburgh on Wednesday, 18 August 2004

PRESENT

Mr F I Watt, Group Finance Director in the Chair ibondon

Mr N C McLuskie, Chairman, Retail Direct in Edinburgh

IN ATTENDANCE

Mr H Campbell, Deputy Secretary in Edinburgh

PRICING OF
ISSUE OF
CATEGORY II
NON-CUMULATIVE
DOLLAR
PREFERENCE
SHARES

The Committee had been appointed at the Board meeting held on 11 February 2004 as a Committee of the Board of Directors with the authority to approve, *inter alia*, the terms of issue by the Company of preference shares, capital securities or loan capital up to £10 billion in aggregate (or a foreign currency equivalent thereof), such approval to expire on 31 March 2005.

Mr Campbell advised that the purpose of the meeting was to carry out certain actions in connection with the proposed issue of 37,000,000 Category II Non-cumulative Dollar Preference Shares of US\$0.01 each in the capital of the Company, to be designated "Series M" (the "Series M Preference Shares").

It was reported that:

1. a Supplemental Listing Application in respect of the listing of the Series M Preference Shares and related American Depositary Shares was submitted to the New York Stock Exchange; and
2. copies of the final prospectus would be filed with the SEC on or about 20 August 2004.

APPROVAL OF
UNDERWRITING
AGREEMENT

There was tabled an execution copy of an Underwriting Agreement between the Company and Citigroup Global Markets Inc., Greenwich Capital Markets, Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. Incorporated, UBS Securities LLC and Wachovia Capital Markets, LLC, as Representatives of the Underwriters therein mentioned.

The terms of the Underwriting Agreement were carefully considered and IT WAS RESOLVED THAT such terms be and they are hereby agreed AND THAT the Underwriting Agreement in the form tabled be executed by any Director, the Secretary, the Capital Raising Director, the Deputy Secretary or any Assistant Secretary of the Company, or any attorney of the Company in terms of the Power of

1

Attorney dated 29 October 2003 and registered in the Books of Council and Session in Edinburgh on 7 November 2003 (an "Attorney"), and delivered by the Company or its Attorney to the other parties thereto.

IT WAS RESOLVED THAT CT Corporation System be and hereby is appointed as Agent of the Company to accept service of any and all legal process, summons, notices and documents in respect of any action, suit or proceeding brought in any United States or State Court in respect of the Underwriting Agreement.

TERMS OF ISSUE
AND PRICING
TERMS

The pricing terms to be applied to the Series M Preference Shares were considered, with particular reference to prevailing market conditions and in relation to the non-cumulative preferential dividend to be paid (subject to the terms of this Resolution) to the holders of the Series M Preference Shares, current yields on the US Long Bond and the impact of spreads and credit risk on this.

Accordingly, IT WAS RESOLVED THAT the terms of issue to be applied by the Directors to the Series M Preference Shares should be as follows:

- (a) the Series M Preference Shares shall form a separate class of shares from (i) the 7,000,000 Series D Category II Non-cumulative Dollar Preference Shares issued on 14 September 1995, the 8,000,000 Series E Category II Non-cumulative Dollar Preference Shares issued on 16 October 1996, the 8,000,000 Series F Category II Non-cumulative Dollar Preference Shares issued on 26 March 1997, the 10,000,000 Series G Category II Non-cumulative Dollar Preference Shares issued on 12 February 1998, the 12,000,000 Series H Category II Non-cumulative Dollar Preference Shares issued on 8 February 1999, the 12,000,000 Series I Category II Non-cumulative Dollar Preference Shares issued on 30 July 1999, the 9,000,000 Series J Category II Non-cumulative Dollar Preference Shares issued on 30 September 1999 and the 16,000,000

Series K Category II Non-cumulative Dollar Preference Shares issued on 12 June 2001 (together, the "Series D to K Category II Non-cumulative Dollar Preference Shares") and (ii) the 42,000,000 (comprising 8,000,000 Series A and 34,000,000 Series B) Category II Non-cumulative Dollar Preference Shares of US\$0.01 each in the capital of the Company which may be issued by the Company in exchange, in whole or in part, for the Company's 8,000,000 Exchangeable Capital Securities, Series

2

A or the Company's 34,000,000 Exchangeable Capital Securities, Series B (as appropriate), issued on 29 March 1994 and 23 June 2003, respectively (together, the "Exchange Preference Shares"). The Exchange Preference Shares issued on each exchange of Exchangeable Capital Securities, Series A or Series B (as appropriate), will constitute a separate series of Category II Non-cumulative Dollar Preference Shares;

- (b) the holders of the Series M Preference Shares shall be entitled (subject to the terms of this Resolution) to a non-cumulative preferential dividend initially at an annual rate of US\$1.60 in each dividend period (as hereinafter defined) for each Series M Preference Share held, payable in cash in US Dollars. The dividend will be payable (subject to the terms of this Resolution) quarterly in arrear on, and to the holders on a record date 15 days prior to, 31 March, 30 June, 30 September and 31 December of each year (each a "dividend payment date") in respect of the three month period ending on such date (each a "dividend period"), commencing with a payment on, and to the holders on a record date 15 days prior to, 30 September 2004, in respect of the initial period referred to in paragraph (d) below;
- (c) all of the provisions set out in Article 4(D)(2)(b) (as amended by Article 4(E)) and Article 4(E)(2)(g) of the Company's Articles of Association, and as further supplemented by the terms of this Resolution, shall apply to the Series M Preference Shares. It was noted that the provisions of Articles 4(D)(2)(b)(viii) and (ix) of the Company's Articles of Association were part of the terms of issue of the Series D to K Category II Non-cumulative Dollar Preference Shares and the Exchange Preference Shares of any series and that accordingly those provisions would affect the Series M Preference Shares in the event of non-payment of dividend on the Series D to K Category II Non-cumulative Dollar Preference Shares or the Exchange Preference Shares of any series;
- (d) the dividend payable on the Series M Preference Shares shall accrue from 26 August 2004 notwithstanding the date or dates of allotment thereof, to and including the date of repayment, if any, of capital thereon. The amount of the dividend in respect of the initial period from 26 August 2004

3

to 30 September 2004 shall be US\$0.1511111 for each Series M Preference Share;

- (e) in addition to their rights under Article 4(D) (as supplemented and amended by Article 4(E)) of the Company's Articles of Association, the Series M Preference Shares shall carry the right to attend at a General Meeting of the Company and to speak to or vote upon any resolution proposed thereat in circumstances where the dividend stated to be payable on the Series M Preference Shares in respect of the three most recent dividend periods has not been declared and paid in full, and such right shall continue until the dividends have thereafter been declared and paid thereon in full in respect of three successive dividend periods, but not otherwise, together with the right in accordance with the Statutes (as defined in the Company's Articles of Association) to seek to requisition a General Meeting of the Company in the circumstances and for the period specified in this paragraph (e) (and for this purpose the Series M Preference Shares will be deemed to confer the number of votes referred to in paragraph (f) below);
- (f) whenever holders of Series M Preference Shares are so entitled to vote on a resolution at a General Meeting of the Company, on a poll every such holder who is present in person or by proxy shall have one vote for each such Series M Preference Share held subject to adjustment as hereinafter prescribed. Such adjustments as the Directors consider necessary to the number of votes to which each Series M Preference Share is entitled shall be made by the Directors at the time of the occurrence of the event requiring such adjustment to reflect:
 - (i) any capitalisation issue, consolidation, sub-division or re-classification of Ordinary Shares as a result of any distribution to the holders of Ordinary Shares of assets of the Company; and
 - (ii) issues of Ordinary Shares or grants of rights or options to subscribe for Ordinary Shares at a discount to the market value of the Ordinary Shares on the business day preceding the date of issue or grant as the case may be, ascertained by reference to the middle market quotation derived from

4

the London Stock Exchange Daily Official List for such preceding business day (subject to the exceptions listed below), in each case in order to ensure as nearly as may be that the ratio which the number of vote(s) in a General Meeting to which the holder of a Series M Preference Share would be entitled on a poll bears to the number of vote(s) to which the holder of an Ordinary Share is entitled in such circumstances will be the same (but no higher) after than as it was before any such event. The exceptions referred to above are:

- (a) rights issues at a discount of no more than 10 per cent of such market value of the Ordinary Shares;
- (b) any issue or grant of such number of Ordinary Shares as represents no more than 1 per cent of the number of Ordinary Shares in issue from time to time for a consideration other than cash (in whole or in part), including, without limitation, for any purchase or acquisition of any shares or any other investments of any kind, or any

business, undertaking or assets of any description, by the Company or any subsidiary;

- (c) issues or grants under the Company's Profit Sharing (Share Ownership) Scheme, Executive Share Option Scheme or Savings-related Share Option Scheme or any additional or successive or substitute schemes; and
 - (d) issues pursuant to the provisions of Article 143 of the Company's Articles of Association;
- (g) the Series M Preference Shares shall not be redeemed by the Company prior to 30 September 2009 and, accordingly, the "Redemption Date" for the purposes of the Series M Preference Shares shall be any date falling on or after 30 September

5

2009;

- (h) the special rights attached to the Series M Preference Shares shall be deemed to be varied by the creation or issue of any New Shares (as defined in the Company's Articles of Association) ranking as regards participation in the profits or assets of the Company in some or all respects *pari passu* with such Series M Preference Shares if the dividend stated to be payable on the Series M Preference Shares on the dividend payment date immediately preceding such issue shall not have been paid in full, but, subject thereto, such special rights shall not be deemed to be varied by the creation or issue of any New Shares ranking as to participation in the profits or assets of the Company in some or all respects *pari passu* with or after such Series M Preference Shares; and
- (i) the foregoing paragraphs (a) to (h) inclusive and this paragraph (i) shall be the whole of the terms of issue of the Series M Preference Shares determined by the Directors prior to allotment thereof in accordance with the Company's Articles of Association.

It was noted that there shall be paid on each Series M Preference Share so redeemed, in US dollars, the aggregate of the nominal amount thereof together with any premium paid on issue and together with arrears (if any) of dividends thereon (whether earned or declared or not) in respect of the period from the dividend payment date last preceding the Redemption Date to the Redemption Date. No relevant Redemption Premium (as set out in the Company's Articles of Association) shall be payable on redemption of the Series M Preference Shares.

There was tabled a Pricing Agreement between the Company and the Representatives of the Underwriters therein mentioned, providing for the purchase (i.e. subscription) price of the Series M Preference Shares to be US\$25 (comprising a premium of US\$24.99 per Series M Preference Share) per Series M Preference Share, and for the underwriting commission per Series M Preference Share to be US\$0.5000 for sales to certain institutions and US\$0.7875 for other sales. The terms of the Pricing Agreement were carefully considered and IT WAS RESOLVED THAT such terms be and they are hereby agreed AND THAT the Pricing Agreement in the form tabled be executed by

any one Director, the Secretary, the

6

Capital Raising Director, the Deputy Secretary or any Assistant Secretary of the Company or by the Company's duly appointed Attorney and delivered by the Company or its Attorney to the other parties thereto. The list of Underwriters in Schedule I to the Pricing Agreement was also approved.

It was noted that utilisation under the Shelf Registration Statement currently stood at US\$3,450,000,000 (leaving a capacity of US\$3,550,000,000), excluding this issue.

There was then tabled a draft Company announcement/ press release to be released relating to the issue in the immediate future of the Series M Preference Shares and, after due consideration, IT WAS RESOLVED THAT the Company announcement/press release be and is hereby approved.

There being no further business, the Chairman declared the meeting closed.

Certified a true extract.

/s/ Hew Campbell

Hew Campbell
Deputy Secretary

7

SIGNATURE

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

THE ROYAL BANK OF SCOTLAND GROUP plc
(Registrant)

By: /s/ Hew Campbell

Name: Hew Campbell
Title: Deputy Secretary

Date: August 25, 2004

