

ROYAL BANK OF SCOTLAND GROUP PLC
Form 424B2
November 27, 2012

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The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities nor do they seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion

Preliminary Prospectus Supplement dated November 27, 2012

PRELIMINARY PROSPECTUS SUPPLEMENT
(to prospectus dated September 28, 2012)

The Royal Bank of Scotland Group plc

\$

% Subordinated Tier 2 Notes due 2022

The % Subordinated Tier 2 Notes due 2022 will be due on , 2022 (the “Subordinated Notes”) and will bear interest at a rate of % per year from (and including) the date of issuance through to the maturity of the Subordinated Notes on , 2022. Interest will be paid on the Subordinated Notes on and of each year, commencing on , 2013.

The Subordinated Notes will constitute our direct, unconditional, unsecured and subordinated obligations ranking pari passu without any preference among themselves and ranking junior in right of payment to the claims of any existing and future unsecured and unsubordinated indebtedness. In a winding up or in the event that an administrator has been appointed in respect of us and notice has been given that it intends to declare and distribute a dividend, all payments on the Subordinated Notes will be subordinated to, and subject in right of payment to the prior payment in full of, all claims of all of our creditors other than claims in respect of any liability that is, or is expressed to be, subordinated to the claims of all or any of our creditors, whether only in the event of a winding up or otherwise. The ranking of our obligations shall be set out in the manner provided in the subordinated indenture between The Royal Bank of Scotland Group plc and The Bank of New York Mellon, as trustee, dated , 2012 (the “Base Subordinated Indenture”), as supplemented by a supplemental indenture dated , 2012 (the “Supplemental Subordinated Indenture” and, together with the Base Subordinated Indenture, the “Subordinated Indenture”).

We may redeem the Subordinated Notes, in whole but not in part, at 100% of their principal amount plus accrued but unpaid interest (i) upon the occurrence of certain tax events or (ii) upon the occurrence of certain regulatory events, provided, in each case, that upon CRD IV (as defined herein) taking effect in the United Kingdom, such right of redemption shall only apply if, when and to the extent not prohibited by CRD IV and (in any such case) if, in our opinion, the circumstance that entitles us to exercise such right of redemption was not reasonably foreseeable to us at the date of issuance, as described in this prospectus supplement or the accompanying prospectus. Any such redemption shall be subject to a requirement to give notice to or obtain the consent of the U.K. Financial Services Authority and/or such other body having supervisory authority with respect to us (the “FSA”), as described in this prospectus supplement.

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

Investing in the Subordinated Notes involves risks. See “Risk Factors” beginning on page S-4 and as incorporated by reference herein.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

| | Per Subordinated Note | Total |
|----------------------------------|-----------------------------|-------|
| Price to the public | % | \$ |
| Underwriting discounts | % | \$ |
| Proceeds, before expenses, to us | % | \$ |

The initial price to public set forth above does not include accrued interest, if any. Interest on the Subordinated Notes will accrue from December , 2012 and must be paid by the purchaser if the Subordinated Notes are delivered thereafter.

We expect that the Subordinated Notes will be ready for delivery through the book-entry facilities of The Depository Trust Company and its participants on or about December , 2012.

Sole Structuring Advisor, Joint Senior Bookrunner and Joint Lead Manager
RBS

Joint Senior Bookrunner and Joint Lead Manager
Morgan Stanley

Joint Bookrunner and Joint Lead Manager
Citigroup

Prospectus Supplement dated November , 2012

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

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ABOUT THIS PROSPECTUS SUPPLEMENT

In this prospectus supplement, we use the following terms:

- “we”, “us”, “our” and “RBSG” mean The Royal Bank of Scotland Group plc;
- “Group” means RBSG together with its subsidiaries consolidated in accordance with International Financial Reporting Standards;
 - “RBS plc” means The Royal Bank of Scotland plc;
 - “SEC” refers to the Securities and Exchange Commission;
- “pounds”, “sterling”, “pence”, “£” and “p” refer to the currency of the United Kingdom;
- “dollars” and “\$” refer to the currency of the United States; and
- “euro” and “€” refer to the currency of the member states of the European Union (“EU”) that have adopted the single currency in accordance with the treaty establishing the European Community, as amended.

INCORPORATION OF INFORMATION BY REFERENCE

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and in accordance therewith, we file reports and other information with the SEC. You may read and copy any document that we file with the SEC at the SEC’s Public Reference Room, 100 F Street, N.E., Washington, D.C. 20549. You can call the SEC on 1-800-SEC-0330 for further information about the Public Reference Room. The SEC’s website, at <http://www.sec.gov>, contains reports and other information in electronic form that we have filed. You may also request a copy of any filings referred to below (other than exhibits not specifically incorporated by reference) at no cost, by contacting us at RBS Gogarburn, P.O. Box 1000, Edinburgh EH12 1HQ, Scotland, telephone +44 131 626 0000.

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

- incorporated documents are considered part of this prospectus supplement;
- we can disclose important information to you by referring you to these documents; and
- information that we file with the SEC will automatically update and modify or supersede some of the information included or incorporated by reference into this prospectus supplement.

This means that you must look at all of the SEC filings that we incorporate by reference to determine if any of the statements in this prospectus supplement or in any document previously incorporated by reference have been modified or superseded. The accompanying prospectus lists documents that are incorporated by reference into this prospectus supplement. We also incorporate by reference into this prospectus supplement and accompanying prospectus any future documents we may file with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act from the date of this prospectus supplement until the offering contemplated in this prospectus supplement is completed. Reports on Form 6-K we may furnish to the SEC after the date of this prospectus supplement (or portions thereof) are

incorporated by reference in this prospectus supplement only to the extent that the report expressly states that it (or such portions) is incorporated by reference in this prospectus supplement.

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FORWARD-LOOKING STATEMENTS

From time to time, we may make statements, both written and oral, regarding our assumptions, projections, expectations, intentions or beliefs about future events. These statements constitute “forward-looking statements” for purposes of the Private Securities Litigation Reform Act of 1995. We caution that these statements may and often do vary materially from actual results. Accordingly, we cannot assure you that actual results will not differ materially from those expressed or implied by the forward-looking statements. You should read the sections entitled “Risk Factors” in this prospectus supplement, “Cautionary Statement on Forward-Looking Statements” in the accompanying prospectus and “Forward-Looking Statements” in our restated annual report for the year ended December 31, 2011 on Form 6-K filed with the SEC on August 10, 2012 (the “Restated 2011 Annual Report”), our interim results for the half year ended June 30, 2012 on Form 6-K filed with the SEC on August 31, 2012 and our interim results for the quarter ended September 30, 2012 on Form 6-K filed with the SEC on November 9, 2012, which are incorporated by reference herein.

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

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SUMMARY

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

General

| | |
|------------------------|---|
| Issuer | The Royal Bank of Scotland Group plc |
| Subordinated Notes | \$ aggregate principal amount of the % subordinated Tier 2 notes due 2022 (the “Subordinated Notes”). |
| Issue Date | , 2012 |
| Maturity Date | We will pay the Subordinated Notes at 100% of their principal amount plus accrued and unpaid interest on , 2022, subject to any early redemption as described in “Description of the Subordinated Notes—Redemption”. |
| Interest Rate | The Subordinated Notes will bear interest from (and including) the Issue Date at a rate of % per annum. |
| Interest Payment Dates | and in each year commencing on , 2013. |
| Regular Record Dates | Every and of each year commencing on 2013. |
| Ranking | The Subordinated Notes will constitute our direct, unconditional, unsecured and subordinated obligations ranking pari passu, without any preference among themselves and ranking junior in right of payment to the claims of any existing and future unsecured and unsubordinated indebtedness. In a winding up or in the event that an administrator has been appointed in respect of us and notice has been given that it intends to declare and distribute a dividend, all payments on the Subordinated Notes will be subordinated to, and subject in right of payment to the prior payment in full of, all claims of all of our creditors other than claims in respect of any liability that is, or is expressed to be, subordinated to the claims of all or any of our creditors, whether only in the event of a winding up or otherwise. The ranking of our obligations shall be set out in the manner provided in the Subordinated |

Indenture.

Additional Issuances

We may, from time to time, without the consent of the holders of the Subordinated Notes, issue additional notes under the Subordinated Indenture, having the same ranking and same interest rate, maturity date, redemption terms and other terms, except for the price to the public and issue date. Any such additional notes, together with the Subordinated Notes offered by this prospectus supplement, may constitute a single series of Subordinated Notes under the Subordinated Indenture, provided that if such additional notes have the same CUSIP, ISIN or other identifying number as the outstanding Subordinated Notes, such additional notes must be fungible with the Subordinated Notes for U.S. federal income tax purposes.

Tax Redemption

We may redeem the Subordinated Notes at any time, in whole but not in part, at 100% of their principal amount plus accrued but unpaid interest, in the event of certain changes in the tax laws of the United Kingdom and in

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other limited circumstances as described under “Description of the Subordinated Notes—Redemption—Tax Redemption” in this prospectus supplement and “Description of Debt Securities—Redemption” in the accompanying prospectus, provided that upon CRD IV (as defined herein) taking effect in the United Kingdom, such right of redemption shall only apply if, when and to the extent not prohibited by CRD IV and (in any such case) if, in our opinion, the circumstance that entitles us to exercise such right of redemption was not reasonably foreseeable to us at the Issue Date. Any such redemption will be subject to a requirement to give notice to or obtain the consent of the FSA, as set forth below under “Description of the Subordinated Notes—Redemption—FSA” in this prospectus supplement.

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| Regulatory Redemption | We may redeem the Subordinated Notes at any time, in whole but not in part, at 100% of their principal amount plus accrued and unpaid interest, in the event of certain regulatory changes that result in the principal amount of the Subordinated Notes being fully excluded from inclusion in our Tier 2 Capital, as described under “Description of the Subordinated Notes—Redemption—Redemption due to a Capital Disqualification Event” in this prospectus supplement, provided that upon CRD IV (as defined herein) taking effect in the United Kingdom, such right of redemption shall only apply if, when and to the extent not prohibited by CRD IV and (in any such case) if, in our opinion, the circumstance that entitles us to exercise such right of redemption was not reasonably foreseeable to us at the Issue Date. Any such redemption will be subject to a requirement to give notice to or obtain the consent of the FSA, as set forth below under “Description of the Subordinated Notes—Redemption—FSA” in this prospectus supplement. |
| Book-Entry Issuance, Settlement and Clearance | We will issue the Subordinated Notes in fully registered form in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. The Subordinated Notes will be represented by one or more global securities registered in the name of a nominee of The Depository Trust Company (“DTC”). You will hold beneficial interests in the Subordinated Notes through DTC and its direct and indirect participants, including Euroclear S.A./NV (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream Banking”) and DTC and its direct and indirect participants will record your beneficial interest on their books. We will not issue certificated notes except as described in the accompanying prospectus. Settlement of the Subordinated Notes will occur through DTC in same day funds. For information on DTC’s book-entry system, see “Description of Debt Securities—Form of Debt Securities; Book-Entry System” in the accompanying prospectus. |
| Business Day Convention | Following unadjusted. |
| Day Count Fraction | 30/360 |

ISIN

CUSIP

Conflicts of Interest

RBS Securities Inc. (“RBSSI”), an affiliate of RBSG, is a Financial Industry Regulatory Authority (“FINRA”) member and an Underwriter in this offering and has a “conflict of interest” within the meaning of FINRA Rule 5121. Accordingly, this offering will be made in compliance with the applicable provisions of FINRA Rule 5121. RBSSI is not permitted to sell Subordinated Notes in this offering to an account over which it exercises

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| | discretionary authority without the prior specific written approval of the account holder. |
| Listing and Trading | We intend to apply to list the Subordinated Notes on the New York Stock Exchange in accordance with its rules. |
| Trustee and Principal Paying Agent | The Bank of New York Mellon, acting through its London office, a banking corporation duly organized and existing under the laws of the state of New York, as trustee (the “Trustee”), having its Corporate Trust Office at One Canada Square, London E14 5AL, United Kingdom, will act as the trustee and initial principal paying agent for the Subordinated Notes. |
| Timing and Delivery | We currently expect delivery of the Subordinated Notes to occur on December, 2012. |
| Use of Proceeds | We intend to use the net proceeds of the offering for general corporate purposes. |
| Governing Law | The Subordinated Indenture and the Subordinated Notes are governed by, and construed in accordance with, the laws of the State of New York except that, as the Subordinated Indenture specifies, the subordination provisions and the waiver of the right to set-off by the holders and by the Trustee acting on behalf of the holders with respect to the Subordinated Notes will be governed by and construed in accordance with the laws of Scotland. |

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RISK FACTORS

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

Set out below and incorporated by reference herein are certain risk factors which could have a material adverse effect on the business, operations, financial condition or prospects of RBSG and cause RBSG's future results to be materially different from expected results. RBSG's results could also be affected by competition and other factors. These factors should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties RBSG faces. RBSG has described only those risks relating to its operations that it considers to be material. There may be additional risks that RBSG currently considers not to be material or of which it is not currently aware, and any of these risks could have the effects set forth above. All of these factors are contingencies which may or may not occur and RBSG is not in a position to express a view on the likelihood of any such contingency occurring. Investors should note that they bear RBSG's solvency risk. Each of the risks highlighted could have a material adverse effect on the amount of principal and interest which investors will receive in respect of the Subordinated Notes. In addition, each of the highlighted risks could adversely affect the trading price of the Subordinated Notes or the rights of investors under the Subordinated Notes and, as a result, investors could lose some or all of their investment. You should consult your own financial, tax and legal advisers regarding the risks of an investment in the Subordinated Notes.

Risks relating to RBSG

For a description of risks associated with RBSG as well as certain risks associated with investments in RBSG's securities, see the section entitled "Risk Factors" in our Restated 2011 Annual Report, which is incorporated by reference herein.

Risks relating to the Subordinated Notes

RBSG's obligations under the Subordinated Notes are subordinated

The obligations of RBSG under the Subordinated Notes will be unsecured and subordinated and will rank junior in priority of payment to the current and future claims of RBSG's creditors, other than claims in respect of any liability that is, or is expressed to be, subordinated. We expect from time to time to incur additional indebtedness or other obligations that will constitute senior indebtedness, and the Subordinated Indenture does not contain any provisions restricting our ability to incur senior indebtedness. Although the Subordinated Notes may pay a higher rate of interest than comparable notes which are not so subordinated, there is a real risk that an investor in such Subordinated Notes will lose all or some of its investment should RBSG become insolvent since the assets of RBSG would be available to pay such amounts only after all the senior creditors of RBSG have been paid in full.

The Subordinated Notes are obligations exclusively of RBSG

The Subordinated Notes are obligations exclusively of RBSG. RBSG is a holding company and conducts substantially all of its operations through its subsidiaries. RBSG's subsidiaries are separate and distinct legal entities, and have no obligation to pay any amounts due or to provide RBSG with funds to meet any of its payment obligations. RBSG's rights to participate in the assets of any subsidiary if it is liquidated will be subject to the prior claims of its creditors.

The Subordinated Notes may be subject to write off or conversion on the occurrence of a Non-Viability Event or if RBSG becomes subject to resolution

The Basel Committee on Banking Supervision (the “Basel Committee”) has proposed a number of fundamental reforms to the regulatory capital framework for internationally active banks which are designed, in part, to ensure that capital instruments issued by such banks fully absorb losses before tax payers are exposed to loss (the “Basel III Reforms”). The principal elements of the Basel III Reforms are set out in Basel Committee papers dated December 16, 2010 (as revised in June 2011) and its press release dated January 13, 2011. The implementation of the Basel III Reforms by relevant authorities in the European Union could be as early as January 1, 2013; however, the

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requirements are subject to a series of transitional arrangements and are expected to be phased in over a period of time and be fully effective by 2019. The European Union's legislation to implement the Basel III Reforms has not yet been finalized and it is unclear whether they will be implemented in their current draft form.

The Basel III Reforms provide that all non-common equity Tier 1 instruments and Tier 2 instruments, such as the Subordinated Notes, which do not contain any contractual terms providing for their writing off or conversion into ordinary shares, at the option of the relevant authority, upon the occurrence of a Non-Viability Event (as defined below), will cease to be eligible to count in full as Additional Tier 1 or Tier 2 Capital (as the case may be) from January 1, 2013 unless, among other things, the jurisdiction of the relevant bank has in place laws that (i) require such instruments to be written off upon the occurrence of a Non-Viability Event or (ii) otherwise require such instruments fully to absorb losses before tax payers are exposed to loss.

As used above, "Non-Viability Event" means the earlier of (a) a decision that a write off, without which the relevant bank would become non-viable, is necessary as determined by the relevant authority; and (b) the decision to make a public sector injection of capital, or equivalent support, without which the relevant bank would have become non-viable, as determined by the relevant authority.

On June 6, 2012, the European Commission published a legislative proposal for a directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms, known as the Recovery and Resolution Directive (the "RRD"). The stated aim of the draft RRD is to provide supervisory authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimize taxpayers' exposure to losses. The powers proposed to be granted to supervisory authorities under the draft RRD include a "bail-in" tool, which would give such authorities the power to write down or write off the claims (potentially including the Subordinated Notes) of certain unsecured creditors of a failing institution and/or to convert certain debt claims to equity. Except for the general bail-in tool, which is expected to be implemented by January 1, 2018, it is currently contemplated that the measures set out in the draft RRD (including the power of authorities to write off Additional Tier 1 and Tier 2 instruments) will be implemented with effect from January 1, 2015. However, the RRD is not in final form and changes may be made to it in the course of the legislative process.

Although the terms and conditions of the Subordinated Notes do not contain a provision which requires them to be converted into equity or written off (whether on the occurrence of a Non-Viability Event or otherwise), it is possible that the powers which either currently exist under the Banking Act 2009 or which may result from any future change to the Banking Act 2009 or the application of relevant laws, including those arising from RRD, the Basel III Reforms (including the EU's implementation of the Basel III Reforms) or other similar regulatory proposals, could be used in such a way as to result in the Subordinated Notes absorbing losses in the manner described above. The determination that all or part of the principal amount of the Subordinated Notes will be subject to loss absorption is likely to be inherently unpredictable and may depend on a number of factors which may be outside of RBSG's control. Because of this inherent uncertainty, it will be difficult to predict when, if at all, a principal write off or conversion to equity will occur. Accordingly, trading behavior in respect of the Subordinated Notes is not necessarily expected to follow the trading behavior associated with other types of securities. Potential investors in the Subordinated Notes should consider the risk that a holder may lose all of its investment, including the principal amount plus any accrued interest, if such statutory loss absorption measures are acted upon.

Furthermore, there can be no assurance that, prior to their proposed implementation in 2013, the Basel Committee will not amend the Basel III Reforms. Further, the European Union and/or relevant authorities in the United Kingdom may implement the Basel III Reforms, including the provisions relating to terms which capital instruments are required to have, in a manner that is different from that which is currently envisaged or may impose more onerous requirements

on UK-incorporated banks. Until fully implemented, RBSG cannot predict the precise effects of the changes that will result from the implementation of the Basel III Reforms on the pricing of the Subordinated Notes. In addition, further changes in law after the date hereof may affect the rights of holders of the Subordinated Notes as well as the market value of the Subordinated Notes.

The Subordinated Notes may be redeemed prior to maturity if certain adverse tax or regulatory disqualification events occur

RBSG may, subject to certain conditions, opt to redeem all, but not some only, of the Subordinated Notes at their principal amount together with accrued but unpaid interest:

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- (i) in the event that it is obliged to pay additional amounts in respect of United Kingdom withholding tax, or
- (ii) upon the occurrence of certain other changes in the treatment of the relevant Notes for tax purposes as described in “Description of the Subordinated Notes — Redemption — Tax Redemption”,
- in each case provided that RBSG cannot avoid the foregoing by taking measures reasonably available to it.

If at any time a Capital Disqualification Event (as defined below) occurs and is continuing in relation to any of the Subordinated Notes, RBSG may, subject to certain conditions, redeem all, but not some only, of the Subordinated Notes at their principal amount together with accrued but unpaid interest.

A “Capital Disqualification Event” shall be deemed to have occurred if, as a result of any amendment to, or change in, the Capital Regulations which are in effect at the Issue Date, the Subordinated Notes are fully excluded from Tier Two Capital (as defined in the Capital Regulations) of RBSG and/or the Group.

“Capital Regulations” mean, at any time, the regulations, requirements, guidelines and policies relating to capital adequacy of the FSA or of the European Parliament or of the Council of the European Union then in effect in the United Kingdom.

If the Subordinated Notes are to be so redeemed, there can be no assurance that holders of the Subordinated Notes will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investment in the Subordinated Notes.

The Subordinated Notes contain limited Events of Default and Defaults, and the remedies available thereunder are limited

As described in “Description of the Subordinated Notes—Events of Default and Default; Limitation of Remedies”, the Subordinated Notes contain limited Events of Default confined to the making of an order by a court of competent jurisdiction or a valid adoption by the shareholders of RBSG of an effective resolution, for the winding up of RBSG (other than under or in connection with a scheme of amalgamation or reconstruction not involving bankruptcy or insolvency). Upon an Event of Default with respect to the Subordinated Notes, holders of the Subordinated Notes have only limited enforcement remedies. If an Event of Default with respect to the Subordinated Notes occurs and is continuing, the Trustee or the holders of at least 25% in aggregate principal amount of the outstanding Subordinated Notes may, in certain instances, declare the principal amount of, and any accrued but unpaid interest on the Subordinated Notes to be due and payable immediately.

In addition to Events of Default, the Subordinated Notes also contain “Defaults”, being the failure to pay principal or interest on the Subordinated Notes when it otherwise becomes due and payable. If a Default occurs and is continuing with respect to the Subordinated Notes, the Trustee may commence a proceeding in Scotland (but not elsewhere) for the winding up of RBSG, provided that the Trustee may not, upon the occurrence of a Default, declare the principal amount of any outstanding Subordinated Notes due and payable. While holders of the Subordinated Notes will similarly not be able to accelerate a repayment of the principal amount of the Subordinated Notes upon the occurrence of a Default, such holders shall have the right to sue for any payments due but unpaid.

There is no limit on the amount or type of further securities or indebtedness that RBSG may issue

There is no restriction on the amount of securities or other liabilities which RBSG may issue or incur and which rank senior to, or pari passu with, the Subordinated Notes. The issue of any such securities or the incurrence of any such

other liabilities may reduce the amount (if any) recoverable by holders of the Subordinated Notes on a winding up of RBSG.

The Subordinated Notes may not be a suitable investment for all investors

Each potential investor of the Subordinated Notes must determine the suitability (either alone or with the help of a financial adviser) of that investment in light of its own circumstances. In particular, each potential investor should:

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- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Subordinated Notes, the merits and risks of investing in the Subordinated Notes and the information contained or incorporated by reference in this Prospectus Supplement or any applicable supplement to this Prospectus Supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Subordinated Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Subordinated Notes, including where the currency for principal or interest payments, i.e., U.S. dollars, is different from the currency in which such potential investor's financial activities are principally denominated;
- (iv) understand thoroughly the terms of the Subordinated Notes and be familiar with the behavior of any relevant indices and financial markets, including the possibility that the Subordinated Notes may become subject to write down or conversion if RBSG should become non-viable; and
- (v) be able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the Subordinated Notes unless they have the knowledge and expertise (either alone or with a financial advisor) to evaluate how the Subordinated Notes will perform under changing conditions, the resulting effects on the likelihood of and the value of the Subordinated Notes, and the impact this investment will have on the potential investor's overall investment portfolio. Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Prospectus Supplement, the Base Prospectus or incorporated by reference herein.

There may not be an active trading market for the Subordinated Notes

The Subordinated Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Subordinated Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of notes would generally have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a material adverse effect on the market value of the Subordinated Notes.

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RECENT DEVELOPMENTS

Please refer to Note 14 (“Litigation, investigations and reviews”) of our report on Form 6-K dated November 9, 2012 that contains recent developments relating to the Group’s ongoing litigation, investigation and reviews, which is incorporated by reference herein.

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USE OF PROCEEDS

The net proceeds from the sale of the Subordinated Notes, less the underwriting compensation stated on the cover of this prospectus supplement and expenses payable by us estimated at \$350,000, are estimated to be \$. These proceeds will be used for general corporate purposes.

CAPITALIZATION OF THE GROUP

The following table shows the Group's issued and fully paid share capital, owners' equity and indebtedness on an unaudited consolidated basis in accordance with International Financial Reporting Standards as at September 30, 2012.