

ROYAL BANK OF SCOTLAND GROUP PLC
Form 424B2
October 14, 2009

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Registration No. 333-162219

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 nor do they seek an offer to buy these securities in any jurisdiction where the offer is not permitted.

Subject to Completion

Preliminary Prospectus Supplement dated October 14, 2009

PRELIMINARY PROSPECTUS SUPPLEMENT
(to prospectus dated September 30, 2009)

The Royal Bank of Scotland Group plc

\$

% Senior Notes due

From and including the date of issuance, interest will accrue on the Senior Notes at a rate of % per year. Interest will accrue from October , 2009. Interest will be payable semi-annually in arrears on and of each year, commencing on , 2010.

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

We may redeem the Senior Notes, in whole but not in part, at any time at 100% of their principal amount plus accrued interest upon the occurrence of certain tax events described in this prospectus supplement and accompanying prospectus.

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

Investing in the Senior Notes involves risks. See "Risk Factors" beginning on page S-3.

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 Senior Note	Total
Price to the public	%	\$
Underwriting discounts	%	\$
Proceeds to us	%	\$

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The initial public offering price set forth above does not include accrued interest, if any. Interest on the Senior Notes will accrue from October , 2009 and must be paid by the purchaser if the Senior Notes are delivered thereafter.

We expect that the Senior Notes will be ready for delivery through the book-entry facilities of The Depository Trust Company and its participants on or about October , 2009.

Sole Bookrunner and Lead Manager

RBS

Prospectus Supplement dated October , 2009

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Prospectus

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

ABOUT THIS PROSPECTUS SUPPLEMENT

In this prospectus supplement, we use the following terms:

- “we” and “us” mean The Royal Bank of Scotland Group plc;
- the “Group” and “RBSG” mean The Royal Bank of Scotland Group plc and its subsidiaries;
- “SEC” refers to the Securities and Exchange Commission;
- “pounds”, “sterling”, “pence”, “£” and “p” refer to the currency of the United Kingdom;

- “dollars” and “\$” refer to the currency of the United States; and
- “euro” and “€” refer to the currency of the member states of the European Union that have adopted the single currency in accordance with the treaty establishing the European Community, as amended.

INCORPORATION OF INFORMATION BY REFERENCE

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

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

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

In addition to the documents listed in the accompanying prospectus, we incorporate by reference RBSG’s report on Form 6-K furnished with the SEC on August 5, 2009, announcing the sale of part of the Asian banking operations of RBSG to ANZ Group Limited, and RBSG’s report on Form 6-K furnished with the SEC on September 21, 2009, announcing that as part of its assessment of the Asset Protection Scheme (the “Asset Protection Scheme” or “APS”), the Group is considering whether there are any alternatives to the issuance of the B Shares.

We also incorporate by reference in this prospectus 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.

FORWARD-LOOKING STATEMENTS

From time to time, we may make statements regarding our assumptions, projections, expectations, intentions or beliefs about future events. These statements constitute “forward-looking statements” for purposes of the Private Securities Litigation Reform Act of 1995. We caution that these statements may and often do vary materially from actual results. Accordingly, we cannot assure you that actual results will not differ materially from those expressed or implied by the forward-looking statements. You should read the sections entitled “Presentation of information—Forward-Looking statements” and “Forward-Looking Statements” in our Annual Report on Form 20-F for the year ended December 31, 2008 and in our Interim Report on Form 6-K for the six months ended June 30, 2009, respectively, which reports are incorporated by reference.

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

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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 therein, as a whole. Words and expressions defined in “Description of the Senior Notes” below shall have the same meanings in this summary.

General

The Issuer	The Royal Bank of Scotland Group plc
Securities	We are offering \$ aggregate principal amount of % Senior Notes due .
Issue Date	October , 2009
Maturity	We will pay the Senior Notes at 100% of their principal amount plus accrued interest on .
Interest Rate	The Senior Notes will bear interest at a rate of % per annum.
Interest Payment Dates	Every and , commencing on , 2010.
Regular Record Dates	The calendar day preceding each Interest Payment Date, whether or not such day is a Business Day.
Ranking	The Senior Notes will constitute our direct, unconditional, unsecured and unsubordinated obligations ranking pari passu, without any preference among themselves, with all our other outstanding unsecured and unsubordinated obligations, present and future, except such obligations as are preferred by operation of law.
Tax Redemption	In the event of various tax law changes that require us to pay additional amounts and other limited circumstances as described under “Description of the Senior Notes– Tax Redemption” and “Description of Debt Securities –Redemption” in the accompanying prospectus we may redeem all, but not less than all, of the Senior Notes prior to maturity.

Book-Entry Issuance,
Settlement and Clearance

We will issue the Senior Notes in fully registered form in denominations of \$ and integral multiples of \$ in excess thereof. The Senior Notes will be represented by one or more global securities registered in the name of a nominee of DTC. You will hold beneficial interests in the Senior Notes through DTC and its direct and indirect participants, including Euroclear and Clearstream Luxembourg, and DTC and its direct and indirect participants will record your beneficial interest on their books. We will not issue certificated notes in the accompanying prospectus. Settlement of the Senior Notes will occur through DTC in same day funds. For information on DTC's book-entry system, see "Description of Debt Securities – Form of Debt Securities; Book-Entry System" in the accompanying prospectus.

Conflicts of Interest RBS Securities Inc., an affiliate of The Royal Bank of Scotland Group plc, is a Financial Industry Regulatory Authority (“FINRA”) member and an Underwriter in this offering, has a “conflict of interest” within the meaning of NASD Rule 2720, as administered by FINRA. Accordingly, this offering will be made in compliance with the applicable provisions of NASD Rule 2720. Pursuant to that rule, the appointment of a qualified independent underwriter is not necessary in connection with this offering, as the offering is of a class of securities rated Baa or better by Moody’s rating service or Bbb or better by Standard & Poor’s rating service or rated in a comparable category by another rating service acceptable to FINRA. RBS Securities Inc. is not permitted to sell Senior Notes in this offering to an account over which it exercises discretionary authority without the prior specific written approval of the account holder.

CUSIP

ISIN

Common Code

Listing and Trading We intend to apply to list the Senior Notes on the London Stock Exchange.

Trustee and Principal Paying Agent The Bank of New York Mellon, One Canada Square, London E14 5AL, United Kingdom, will act as the trustee and initial principal paying agent for the Senior Notes.

Timing and Delivery We currently expect delivery of the Senior Notes to occur on October , 2009.

Use of Proceeds We intend to use the net proceeds of the offering for general corporate purposes.

Governing Law The senior debt securities indenture and the Senior Notes are governed by, and construed in accordance with, the laws of the State of New York.

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RISK FACTORS

Prospective investors should consider carefully the risks set forth below and the other information set out elsewhere in this Prospectus Supplement (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision with respect to the Senior Notes.

Set out below are certain risk factors which could have a material adverse affect on the business, operations, financial condition or prospects of the Group and cause the Group's future results to be materially different from expected results. The Group's results could also be affected by competition and other factors. The factors discussed below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties the Group businesses face.

RBSG and its United Kingdom bank subsidiaries may face the risk of full nationalisation or other measures under the Banking Act 2009.

Under the provisions of the Banking Act 2009 (the "Banking Act"), substantial powers have been granted to Her Majesty's Treasury ("HM Treasury"), the Bank of England and the Financial Services Authority (the "FSA", together with HM Treasury and the Bank of England, the "U.K. Authorities") as part of the special resolution regime to stabilise banks that are in financial difficulties (the "SRR"). The SRR gives the U.K. Authorities three stabilisation options: (i) private sector transfer of all or part of the business of a United Kingdom incorporated institution (a "relevant entity") with permission to accept deposits pursuant to Part IV of the Financial Services and Markets Act 2000 (the "FSMA"); (ii) transfer of all or part of the business of the relevant entity to a "bridge bank" established by the Bank of England; and (iii) temporary public ownership (nationalisation) of the relevant entity or its United Kingdom incorporated holding company. The Banking Act also provides for two new insolvency and administration procedures for relevant entities.

The purpose of the stabilising options is to address the situation where all or part of the business of a relevant entity has encountered, or is likely to encounter, financial difficulties. Accordingly, the stabilisation options may only be exercised if the FSA is satisfied that a relevant entity such as RBSG's United Kingdom banking subsidiaries, including The Royal Bank of Scotland plc ("RBS") and National Westminster Bank Plc ("NatWest"), (a) is failing, or is likely to fail, to satisfy the threshold conditions set out in Schedule 6 to the FSMA; and (b) having regard to timing and other relevant circumstances, it is not reasonably likely that (ignoring the stabilising options) action will be taken that will enable the relevant entity to satisfy those threshold conditions. The threshold conditions are conditions which an FSA-authorized institution must satisfy in order to retain its FSA authorisation. They are relatively wide-ranging and deal with most aspects of a relevant entity's business, including, but not limited to, minimum capital resource requirements. It is therefore possible that the FSA may exercise one of the stabilisation options before an application for an insolvency or administration order could be made.

The stabilisation options may be exercised by means of powers to transfer property, rights or liabilities of a relevant entity and shares and other securities issued by a relevant entity. HM Treasury may also take the parent company of a relevant entity (such as RBSG) into temporary public ownership provided that certain conditions set out in Section 82 of the Banking Act are met. Temporary public ownership is effected by way of a share transfer order and can be actioned irrespective of the financial condition of the parent company.

If HM Treasury makes the decision to take RBSG into temporary public ownership, it may take various actions in relation to any securities issued by RBSG, including the Senior Notes (the "Securities"), without the consent of holders of the Securities, including (among other things):

- (i) transferring the Securities free from any contractual or legislative restrictions on transfer;

- (ii) transferring the Securities free from any trust, liability or encumbrance;
- (iii) extinguishing any rights to acquire Securities;
- (iv) delisting the Securities;
- (v) converting the Securities into another form or class (including for example, into equity securities); or
- (vi) disapplying any termination or acceleration rights or events of default under the terms of the Securities which would be triggered by the transfer.

Where HM Treasury has made a share transfer order in respect of securities issued by the holding company of a relevant entity, HM Treasury may make an order providing for the property, rights or liabilities of the holding company or of any relevant entity in the holding company group to be transferred and where such property is held on trust, removing or altering the terms of such trust.

Accordingly, there can be no assurance that the taking of any such actions would not adversely affect the rights of holders of the Securities and/or adversely affect the price or value of their investment

or that the ability of the Group to satisfy its obligations under contracts related to the Securities would be unaffected. In such circumstances, such holders may have a claim for compensation under one of the compensation schemes currently existing under, or contemplated by, the Banking Act if any action is taken in respect of the Securities (for the purposes of determining an amount of compensation, an independent valuer must disregard actual or potential financial assistance provided by the Bank of England or HM Treasury). There can be no assurance that holders of the Securities would thereby recover compensation promptly and/or equal to any loss actually incurred.

If RBSG is taken into temporary public ownership and a partial transfer of its or any relevant entity's business is effected, or if a relevant entity is made subject to the SRR and a partial transfer of its business to another entity is effected, the transfer may directly affect RBSG and/or its group companies by creating, modifying or cancelling their contractual arrangements with a view to ensuring the provision of such services and facilities as are required to enable the bridge bank or private sector purchaser to operate the transferred business (or any part of it) effectively. For example, the transfer may (among other things): (i) require RBSG to support and co-operate with the bridge bank or private sector purchaser; (ii) cancel or modify contracts or arrangements between RBSG or the transferred business and a group company; or (iii) impose additional obligations on RBSG under new or existing contracts. There can be no assurance that the taking of any such actions would not adversely affect the ability of RBSG to satisfy its obligations under the Securities or related contracts.

If RBSG is taken into temporary public ownership and a partial transfer of its or any relevant entity's business is effected, or if a relevant entity is made subject to the SRR and a partial transfer of its business to another entity is effected, the nature and mix of the assets and liabilities not transferred may adversely affect RBSG's financial condition and increase the risk that RBSG may eventually become subject to administration or insolvency proceedings pursuant to the Banking Act.

While it was in force, the United Kingdom Government took action under the Banking (Special Provisions) Act 2008 in respect of a number of United Kingdom financial institutions, including, in extreme circumstances, full and partial nationalisation. There have been concerns in the market in recent months regarding the risks of such nationalisation in relation to RBSG and other United Kingdom banks. If economic conditions in the United Kingdom or globally continue to deteriorate, or the events described in the following risk factors occur to such an extent that they have a materially adverse impact on the financial condition, perceived or actual credit quality, results of operations or business of any of the relevant entities in the Group, the United Kingdom Government may decide to take similar action in relation to RBSG under the Banking Act. Given the extent of the U.K. Authorities' powers under the Banking Act, it is difficult to predict what effect such actions might have on the Group and any securities issued by RBSG or Group companies. However, potential impacts may include full nationalisation of RBSG, the total loss of value in the Securities issued by RBSG and the inability of RBSG to perform its obligations under the Securities.

If a partial transfer of RBSG's business were effected, under the terms of which the liabilities under the Senior Notes were not transferred, compensation may be assessed to be payable to holders of the Senior Notes under one of the compensation schemes currently existing under, or contemplated by, the Banking Act (including pursuant to The Banking Act (Third Party Compensation Arrangements for Partial Property Transfers) Regulations 2009). However, there can be no assurance that compensation would be assessed to be payable or that holders of the Senior Notes would recover any compensation promptly and/or equal to any loss actually incurred.

If the Group is unable to participate in the Asset Protection Scheme, or the operation of the Asset Protection Scheme fails to have the desired effect on RBSG's financial and capital position, RBSG may face the increased risk of becoming subject to the SRR. If the costs of participation outweigh the benefits, this could have a negative impact on the Group's business, earnings and financial prospects. In addition, participation in the Asset Protection Scheme cannot occur until the European Commission has provided a State Aid clearance in relation to the Asset Protection Scheme, which is likely to be subject to conditions, among others, relating to the restructuring of the Group and future market

behaviour of the Group.

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On February 26, 2009, the Group announced its intention to participate in the Asset Protection Scheme announced by HM Treasury on January 19, 2009. However, its ability to participate in the APS is subject to the satisfaction of a number of conditions which may not be satisfied, including, among others, the completion of due diligence by (and to the satisfaction of) HM Treasury, the receipt of certain regulatory approvals (including European Commission State Aid clearance), the approval of a majority of RBSG's independent shareholders, finalisation of the terms of the APS and the Group's participation therein and the satisfaction by the Group of certain specified application criteria. The failure to satisfy these conditions could result in the Group being unable to participate in the APS and therefore failing to obtain protection against stressed losses through the economic cycle as well as failing to improve its capital ratios. Without the combination of the protection of the Asset Protection Scheme and the B share issuance (as discussed below), the Group would not pass the FSA - mandated stress tests and would be vulnerable to ratings downgrades and funding difficulties as a consequence. The result of this may mean intervention by the United Kingdom Government, which could include RBSG and its United Kingdom bank subsidiaries becoming subject to the SRR, under which circumstances any compensation payable to holders of the Senior Notes would be subject to the provisions of the Banking Act (as described above).

Furthermore, even if the Group is able to participate in the APS, there can be no assurance that such participation will enable the Group to achieve all of the stated goals of the APS. While the APS is expected to limit losses associated with assets to be covered by the APS, the Group would remain fully exposed in respect of a specified "first loss" amount and exposed to 10 per cent. of losses exceeding that "first loss" amount. In addition, the Group would continue to be exposed to the risk of losses, impairments and write downs with respect to assets not covered by the APS. Although RBSG would have the option to obtain an additional £6 billion in capital from HM Treasury (in the form of a subscription for further B Shares in RBSG) there can be no assurance that such additional capital, together with RBSG's strengthened capital position as a result of the Placing and Open Offers (as defined below), and the capital resulting from the proposed issue of the £6.5 billion and £13 billion of B Shares, will be sufficient to maintain RBSG's capital ratios in the event of further losses, which could cause RBSG's business, results of operations and financial condition to suffer, its credit rating to drop, its ability to lend and access funding to be further limited and its cost of funding to increase, any of which would increase the risk of RBSG and its United Kingdom bank subsidiaries becoming subject to the SRR.

In addition, there can be no assurance that the costs to the Group of its participation in the APS will not outweigh any benefits received. For example, the Group has agreed in principle that if it accedes to the APS, it will give up the right to certain tax losses and allowances which may affect the after-tax returns of the Group in future years. As a result of the Group's agreement to give up such United Kingdom tax losses and allowances it is likely that the Group will pay United Kingdom corporation tax in earlier accounting periods than it would otherwise have done.

European State Aid clearance must be obtained by the U.K. Government prior to RBS commencing participation in the APS. In a communication by the European Commission ("Treatment of Impaired Assets in the Community Banking Sector"), the European Commission has indicated that initially such clearance may be temporary. The granting of a clearance in respect of RBS's ongoing participation in the APS will be subject to the submission of a satisfactory forward plan and may also require amendments to the APS itself, including as to pricing of the APS. As a result of the first placing and open offer, undertaken by RBSG in November and December 2008 (the "First Placing and Open Offer") announced on October 8, 2008, RBSG was already required to cooperate with HM Treasury to submit a forward plan to the European Commission. Such a plan has been submitted and is subject to discussion with the European Commission. It is possible that the European Commission could issue a final rather than temporary clearance if the European Commission is satisfied with the forward plan and all of the terms of the APS. As a result of its participation in the APS, the European Commission m