

30 Share capital

	Allotted, called up and fully paid			Authorised		
	1 January 2006 £m	Issued during the year £m	Cancelled during the year £m	31 December 2006 £m	31 December 2006 £m	31 December 2005 £m
Equity shares						
Ordinary shares of 25p	799	2	13	788	1,270	1,270
Non-voting deferred shares of £0.01	27	—	—	27	323	323
Total equity share capital	826	2	13	815	1,593	1,593
Non-equity shares						
Additional Value Shares of £0.01	—	—	—	—	27	27
Non-cumulative preference shares of US\$0.01	1	—	—	1	2	2
Non-cumulative convertible preference shares of US\$0.01	—	—	—	—	—	—
Non-cumulative preference shares of €0.01	—	—	—	—	—	—
Non-cumulative convertible preference shares of €0.01	—	—	—	—	—	—
Non-cumulative convertible preference shares of £0.25	—	—	—	—	225	225
Non-cumulative convertible preference shares of £0.01	—	—	—	—	—	—
Cumulative preference shares of £1	1	—	—	1	1	1
Non-cumulative preference shares of £1	—	—	—	—	300	300
Total non-equity share capital	2	—	—	2	555	555
Total share capital	828	2	13	817	2,148	2,148

	Allotted, called up and fully paid			Authorised		
	2006	2005	2004	2006	2005	2004
Number of shares – thousands						
Ordinary shares of 25p	3,152,844	3,196,544	3,172,605	5,079,375	5,079,375	4,079,375
Non-voting deferred shares of £0.01	2,660,556	2,660,556	2,660,556	32,300,000	32,300,000	32,300,000
Additional Value Shares of £0.01	—	—	—	2,700,000	2,700,000	2,700,000
Non-cumulative preference shares of US\$0.01	240,000	206,000	153,000	419,500	419,500	348,500
Non-cumulative convertible preference shares of US\$0.01	1,000	1,000	1,900	3,900	3,900	3,900
Non-cumulative preference shares of €0.01	2,500	2,500	1,250	66,000	66,000	66,000
Non-cumulative convertible preference shares of €0.01	—	—	750	3,000	3,000	3,000
Non-cumulative convertible preference shares of £0.25	—	—	—	900,000	900,000	900,000
Non-cumulative convertible preference shares of £0.01	200	200	200	1,000	1,000	1,000
Cumulative preference shares of £1	900	900	900	900	900	900
Non-cumulative preference shares of £1	—	—	—	300,000	300,000	300,000

Movement in ordinary shares in issue during the year

	Number of shares — thousands
At 1 January 2006	3,196,544
Shares issued during the year	9,999
Shares repurchased and cancelled during the year	(53,699)
At 31 December 2006	3,152,844

30 Share capital (continued)

Ordinary shares

The following issues of ordinary shares were made during the year ended 31 December 2006:

- (a) 7.5 million ordinary shares following the exercise of options under the company's executive, sharesave and option 2000 schemes and a further 0.3 million ordinary shares in respect of the exercise of options under the NatWest executive scheme which had been exchanged for options over the company's shares following the acquisition of NatWest in 2000; and
- (b) 2.2 million ordinary shares under the company's employee share ownership plan.

Consideration of £104 million was received on the issue of ordinary shares for cash.

During the year ended 31 December 2006, options were granted over 13.6 million ordinary shares under the company's executive and sharesave schemes. At 31 December 2006, options granted under the company's various schemes, exercisable up to 2016 at prices ranging from 558p to 1852p per share, were outstanding in respect of 65 million ordinary shares.

In addition, options granted under the NatWest executive scheme were outstanding in respect of 0.6 million ordinary shares exercisable up to 2009 at prices ranging from 500p to 924p per share.

During the year the company purchased in the market 54.4 million of its ordinary shares at a total cost of £1,005 million. A total of 695,000 shares repurchased on 28 and 29 December 2006 were not cancelled until 3 and 4 January 2007. These shares are therefore included in issued ordinary share capital as at 31 December 2006.

Employee share trusts purchased 13.8 million ordinary shares at a cost of £252.5 million and awarded 7.8 million ordinary shares on receipt of £108 million on the exercise of awards under employee share schemes.

Transaction costs of £5 million were incurred by the company in purchasing its ordinary shares. The employee share trusts incurred costs of £1.9 million in purchasing the company's ordinary shares.

Preference shares

In March 2006, the company redeemed the 7 million Series D and the 12 million Series I, non-cumulative preference shares of US\$0.01 each at US\$25 per share.

In May 2006, the company issued 27 million Series Q non-cumulative preference shares of US\$0.01 each at US\$25 per share, the net proceeds being US\$655 million.

In December 2006, the company issued 26 million Series R non-cumulative preference shares of US\$0.01 at US\$25 each, the net proceeds being US\$631 million.

In January 2007, the company redeemed the 8 million Series E, the 10 million series G and the 16 million series K, non-cumulative preference shares of US\$0.01 each at US\$25 per share.

The costs of issue and discounts allowed on preference shares issued during the year were £20 million.

Under IFRS certain of the Group's preference shares are classified as debt and are included in subordinated liabilities on the balance sheet.

Non-cumulative preference shares

Non-cumulative preference shares entitle the holders thereof to receive periodic non-cumulative cash dividends at specified fixed rates for each Series payable out of distributable profits of the company.

The non-cumulative preference shares are redeemable at the option of the company, in whole or in part from time to time at the rates detailed below plus dividends otherwise payable for the then current dividend period accrued to the date of redemption.

Class of preference share	Number of shares in issue	Interest rate	Redemption date on or after	Redemption price per share	Debt or equity ⁽¹⁾
Non-cumulative preference shares of US\$0.01					
Series E ⁽²⁾	8 million	8.1%	17 October 2006	US\$25	Debt
Series F	8 million	7.65%	31 March 2007	US\$25	Debt
Series G ⁽²⁾	10 million	7.4%	31 March 2003	US\$25	Debt
Series H	12 million	7.25%	31 March 2004	US\$25	Debt
Series K ⁽²⁾	16 million	7.875%	30 June 2006	US\$25	Debt
Series L	34 million	5.75%	30 September 2009	US\$25	Debt
Series M	37 million	6.4%	30 September 2009	US\$25	Equity
Series N	40 million	6.35%	30 June 2010	US\$25	Equity
Series P	22 million	6.25%	31 December 2010	US\$25	Equity
Series Q	27 million	6.75%	30 June 2011	US\$25	Equity
Series R	26 million	6.125%	30 December 2011	US\$25	Equity
Non-cumulative convertible preference shares of US\$0.01					
Series 1	1 million	9.118%	31 March 2010	US\$1,000	Debt
Non-cumulative preference shares of €0.01					
Series 1	1.25 million	5.5%	31 December 2009	€1,000	Equity
Series 2	1.25 million	5.25%	30 June 2010	€1,000	Equity
Non-cumulative convertible preference shares of £0.01					
Series 1	0.2 million	7.387%	31 December 2010	£1,000	Debt

Notes:

(1) Those preference shares where the Group has an obligation to pay dividends are classified as debt; those where distributions are discretionary are classified as equity. The conversion rights attaching to the convertible preference shares may result in the Group delivering a variable number of equity shares to preference shareholders; these convertible preference shares are treated as debt.

(2) Redeemed in January 2007.

In the event that the non-cumulative convertible preference shares are not redeemed on or before the redemption date, the holder may convert the non-cumulative convertible preference shares into ordinary shares in the company.

Under existing arrangements, no redemption or purchase of any non-cumulative preference shares may be made by the company without the prior consent of the UK Financial Services Authority.

On a winding-up or liquidation of the company, the holders of the non-cumulative preference shares will be entitled to receive, out of any surplus assets available for distribution to the company's shareholders (after payment of arrears of dividends on the cumulative preference shares up to the date of repayment) pari passu with the cumulative preference shares, the non-cumulative sterling preference shares and all other shares of the company ranking pari passu with the non-cumulative preference shares as regards participation in the surplus assets of the company, a liquidation distribution of US\$25 per non-cumulative preference share of US\$0.01, US\$1,000 per non-cumulative convertible preference share of US\$0.01, €1,000 per non-cumulative preference share of €0.01 and £1,000 per non-cumulative convertible preference share of £0.01, together with an amount equal to dividends for the then current dividend period accrued to the date of payment, before any distribution or payment may be made to holders of the ordinary shares as regards participation in the surplus assets of the company.

Except as described above, the holders of the non-cumulative preference shares have no right to participate in the surplus assets of the company.

Holders of the non-cumulative preference shares are not entitled to receive notice of or attend general meetings of the company except if any resolution is proposed for adoption by the shareholders of the company to vary or abrogate any of the rights attaching to the non-cumulative preference shares or proposing the winding-up or liquidation of the company. In any such case, they are entitled to receive notice of and to attend the general meeting of shareholders at which such resolution is to be proposed and are entitled to speak and vote on such resolution (but not on any other resolution). In addition, in the event that, prior to any general meeting of shareholders, the company has failed to pay in full the three most recent quarterly dividend payments due on the non-cumulative dollar preference shares, the two most recent semi-annual dividend payments due on the non-cumulative convertible dollar preference shares and the most recent annual dividend payments due on the non-cumulative euro preference shares and on the non-cumulative convertible sterling preference shares, the holders shall be entitled to receive notice of, attend, speak and vote at such meeting on all matters together with the holders of the ordinary shares, and in these circumstances only, the rights of the holders of the non-cumulative preference shares so to vote shall continue until the company shall have resumed the payment in full of the dividends in arrears.