

SUPPLEMENTARY PROSPECTUS DATED 15 FEBRUARY 2019



The Royal Bank of Scotland Group plc

*(Incorporated in Scotland with limited liability under the Companies Acts 1948 to 1980,
registered number SC045551)*

£40,000,000,000

Euro Medium Term Note Programme

This supplement (the "**1st Supplementary Prospectus**") to the Prospectus dated 14 December 2018 (the "**Prospectus**"), which comprises a base prospectus for the purpose of Directive 2003/71/EC (as amended or superseded), constitutes a supplementary prospectus for the purposes of Section 87G of the Financial Services and Markets Act 2000 and has been prepared in connection with the £40,000,000,000 Euro Medium Term Note Programme (the "**Programme**") established by, *inter alios*, The Royal Bank of Scotland Group plc (the "**Issuer**" or "**RBSG**"). Terms defined in the Prospectus have the same meaning when used in this 1st Supplementary Prospectus.

This 1st Supplementary Prospectus is supplemental to, and should be read in conjunction with, the Prospectus and the documents incorporated by reference therein.

The Issuer accepts responsibility for the information contained in this 1st Supplementary Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

Purpose of the Supplementary Prospectus

The purpose of this 1st Supplementary Prospectus is to:

- (a) incorporate by reference into the Prospectus:
 - (i) the Fitch Ratings Announcement (as defined below); and
 - (ii) certain sections of the 2018 Annual Report and Accounts of RBSG (as defined below);
- (b) following publication of the 2018 Annual Report and Accounts of RBSG, update the statements of no significant change and no material adverse change for RBSG;
- (c) update the forward-looking statements information set out in the Prospectus;
- (d) update the risk factors set out in the Prospectus;
- (e) update certain information relating to ring-fencing;
- (f) update certain information relation to legal proceedings; and
- (g) update certain information relating to external auditors and financial information of the Issuer.

Incorporation of Information by Reference

By virtue of this 1st Supplementary Prospectus:

- (a) the announcement entitled "RBS welcomes credit ratings action by Fitch Ratings" (the "**Fitch Ratings Announcement**"), which was published via the regulatory news service of the London Stock Exchange plc on 14 December 2018; and
- (b) the following sections of the 2018 annual report and accounts of RBSG (the "**2018 Annual Report and Accounts of RBSG**"), which were published via the regulatory news service of the London Stock Exchange plc on 15 February 2019:
 - (i) Strategic Report on pages 3 to 35:
 - 2018 Highlights on pages 4 to 5;
 - Chairman's statement on pages 6 to 7;
 - Chief Executive's review on pages 8 to 9;
 - Our operating environment on pages 10 to 13;
 - Building a more sustainable bank on pages 14 to 23;
 - Our business performance on pages 24 to 27;
 - Our investment case and outlook on pages 28 to 29 (excluding the second paragraph under the heading "*RBS Group capital distributions*" on page 29);
 - Risk overview on pages 30 to 33;
 - Governance at a glance on page 34; and
 - Viability statement on page 35;
 - (ii) Business review on pages 36 to 46:
 - Presentation of information on page 36;
 - Financial Summary on pages 37 to 40; and
 - Segment performance on pages 41 to 46;
 - (iii) Corporate governance on pages 47 to 88:
 - Our Board on pages 47 to 48;
 - Corporate governance on pages 49 to 52;
 - Directors' remuneration report on pages 62 to 78;
 - Other Remuneration Disclosures on pages 79 to 82;
 - Compliance report on pages 83 to 84;

- Report of the directors on pages 85 to 86; and
 - Statement of directors' responsibilities on page 88;
- (iv) Capital and risk management on pages 89 to 164:
- Risk management framework on pages 89 to 96;
 - Capital, liquidity and funding risk on pages 97 to 110 (excluding the fourth sentence of footnote 3 to the table under the heading "*Liquidity key metrics*" on page 100);
 - Credit risk on pages 111 to 150;
 - Market risk on pages 151 to 459;
 - Pension risk on page 160;
 - Compliance and conduct risk on pages 160 to 161;
 - Financial crime on page 161;
 - Operational risk on pages 161 to 163;
 - Business risk on pages 163 to 164; and
 - Reputational risk on page 164;
- (v) Financial statements on pages 165 to 252:
- Independent auditor's report on pages 166 to 175;
 - Consolidated income statement on page 176;
 - Consolidated statement of comprehensive income on page 177;
 - Consolidated balance sheet on page 178;
 - Consolidated statement of changes in equity on pages 179 to 180;
 - Consolidated cash flow statement on page 181;
 - Accounting policies on pages 182 to 186;
 - Notes on the consolidated accounts on pages 187 to 238; and
 - Parent company financial statements and notes on pages 239 to 252;
- (vi) Risk factors on pages 253 to 263;
- (vii) Material contracts on page 264;
- (viii) Shareholder information on pages 265 to 266; and
- (ix) Forward looking statements on page 267,

each of which has been (1) previously published and (2) filed with the Financial Conduct Authority, shall be incorporated in, and form part of, the Prospectus.

A copy of any or all of the information which is incorporated by reference in the Prospectus can be obtained from the website of the Issuer at <https://www.rbs.com> and from the London Stock Exchange plc's website at <https://www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html>.

If a document which is incorporated by reference in the Prospectus by virtue of this 1st Supplementary Prospectus itself incorporates any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of the Prospectus except where such information or other documents are specifically incorporated by reference in, or attached to, the Prospectus by virtue of this 1st Supplementary Prospectus.

It should be noted that, except as set forth above, no other portion of the above documents is incorporated by reference into the Prospectus. In addition, where sections of any of the above documents which are incorporated by reference into the Prospectus cross-reference other sections of the same document, such cross-referenced information shall not form part of the Prospectus, unless otherwise incorporated by reference herein. Those parts of the documents incorporated by reference which are not specifically incorporated by reference in this 1st Supplementary Prospectus are either not relevant for prospective investors or the information is included elsewhere in the Prospectus.

Statement of No Significant Change and No Material Adverse Change

There has been no significant change in the trading or financial position of the Group taken as a whole since 31 December 2018 (the end of the last financial period for which the latest audited or interim financial information of the Group has been published).

There has been no material adverse change in the prospects of RBSG since 31 December 2018 (the last date to which the latest audited published financial information of the Group was prepared).

Updating the forward-looking statements information set out in the Prospectus

The reference to the "2017 Annual Report and Accounts of RBSG" in the paragraph titled "Forward-looking statements" on page v of the Prospectus shall be deleted and replaced with a reference to the "2018 Annual Report and Accounts of RBSG".

Updating the risk factors set out in the Prospectus

- (a) The first paragraph of the section entitled "Risk Factors relating to the Issuer" set out on page 6 of the Prospectus shall be deleted and replaced with the following:

"Prospective investors should consider the section entitled "*Risk Factors*" at pages 253 to 263 in the 2018 Annual Report and Accounts of RBSG as referred to in, and incorporated by reference into, this Prospectus."; and

- (b) The risk factor "*The Notes may be written down or converted into ordinary shares*" commencing on page 8 of the Prospectus shall be updated so that the second sentence in the sixth paragraph is deleted and replaced with the following:

"See further "*The Group may become subject to the application of UK statutory stabilisation or resolution powers which may result in, among other actions, the write-*

down or conversion of certain of the Group's securities, including its ordinary shares."
on page 260 of the 2018 Annual Report and Accounts of RBSG as referred to in, and incorporated by reference into, this Prospectus."

Updating the ring-fencing disclosure set out in the Prospectus

The section entitled "Ring-Fencing" on page 72 of the Prospectus shall be updated so that the third sentence is deleted and replaced with the following:

"Further information regarding the Group's ring-fencing structure can be found in the 2018 Annual Report and Accounts of RBSG, including at page 36 (under the heading "*RBS Group ringfencing*") and page 49 (under the heading "*Ring-Fencing Governance*") of the 2018 Annual Report and Accounts of RBSG (as referred to in, and incorporated by reference into, this Prospectus)."

Updating the legal proceedings disclosure set out in the Prospectus

The section entitled "Legal Proceedings" on page 72 of the Prospectus shall be deleted and replaced with the following:

"Legal Proceedings

For a description of the material governmental, legal or arbitration proceedings that RBSG and the Group face, see the section entitled "*Litigation, investigations and reviews*" in the "Notes" at pages 230 to 235 of the 2018 Annual Report and Accounts of RBSG as referred to in, and incorporated by reference into, this Prospectus."

Legal Proceedings

Other than as referred to in the section entitled "*Litigation, investigations and reviews*" in the "Notes" at pages 230 to 235 of the 2018 Annual Report and Accounts of RBSG, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), which may have or have had during the 12 months preceding the date of this 1st Supplementary Prospectus, a significant effect on the financial position or profitability of RBSG or the Group.

Information on Auditors and Financial Statements

The section entitled "Auditors and Financial Statements" on page 108 of the Prospectus shall be amended to include the following:

"The consolidated financial statements of RBSG for the year ended 31 December 2018 have been audited by EY.

The financial information incorporated by reference in this Prospectus in relation to RBSG does not constitute RBSG's statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2018 to which the financial information in this Prospectus relates will be delivered to the Registrar of Companies in Scotland.

EY has reported on such statutory accounts for the year ended 31 December 2018 and the report in respect of such year was unqualified and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006."

Other Information

To the extent that there is any inconsistency between any statement in this 1st Supplementary Prospectus and any other statement in or incorporated by reference in the Prospectus, the statements in this 1st Supplementary Prospectus will prevail.

Save as disclosed in this 1st Supplementary Prospectus no other significant new factor, material mistake or inaccuracy relating to information included in the Prospectus has arisen or been noted, as the case may be, since the publication of the Prospectus.

The hyperlinks included in this 1st Supplementary Prospectus are included for information purposes only and the websites and their content are not incorporated into, and do not form part of, this 1st Supplementary Prospectus or the Prospectus.