

## SUPPLEMENTARY PROSPECTUS DATED 16 APRIL 2010



### **The Royal Bank of Scotland Group plc**

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

### **The Royal Bank of Scotland plc**

*(Incorporated in Scotland with limited liability under the Companies Acts 1948 to 1980, registered number SC090312)*

**£90,000,000,000**

### **Euro Medium Term Note Programme**

This Supplement (the “**Supplement**”) to the Prospectus (the “**Prospectus**”) dated 16 June 2009, which comprises, except as set out therein in relation to Guaranteed Notes (as defined in the Prospectus), a base prospectus, constitutes a supplementary prospectus for the purposes of Section 87G of the Financial Services and Markets Act 2000 (the “**FSMA**”) and is prepared in connection with the £90,000,000,000 Euro Medium Term Note Programme (the “**Programme**”) established by The Royal Bank of Scotland Group plc (“**RBSG**”) and The Royal Bank of Scotland plc (“**RBS**”) (each, an “**Issuer**” and together, the “**Issuers**”). Terms defined in the Prospectus have the same meaning when used in this Supplement.

This Supplement is supplemental to, and should be read in conjunction with, the Prospectus and the documents incorporated by reference therein. This Supplement should also be read and construed in conjunction with the supplementary prospectuses dated 10 March 2010, 24 March 2010, 26 March 2010 and 1 April 2010 which have been previously published and have been approved by the Financial Services Authority (the “**FSA**”) and filed with it and which form part of the Prospectus.

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

#### *Disincorporation of Information by Reference into the Prospectus*

The audited consolidated annual financial statements for the year ended 31 December 2007 of RBS, together with the audit report thereon, incorporated by reference into the Prospectus pursuant to paragraph (l) on page 8 of the Prospectus shall, by virtue of this Supplement, no longer be incorporated.

The annual results of RBS for the year ended 31 December 2009, which were published via the RNS on 31 March 2010 and incorporated by reference into the Prospectus pursuant to the supplementary prospectus dated 1 April 2010 shall, by virtue of this Supplement, no longer be incorporated.

The second paragraph under the heading “No Significant Change and No Material Adverse Change” on page 61 of the registration document dated 10 March 2010 of RBS (the “**RBS Registration Document**”), which was published via the RNS on 10 March 2010 and incorporated

by reference into the Prospectus pursuant to the supplementary prospectus dated 10 March 2010 shall, by virtue of this Supplement, no longer be incorporated into the Prospectus.

#### *Incorporation of Information by Reference into the Prospectus*

The documents set out below which have been (1) previously published and (2) approved by the FSA or filed with it shall be deemed to be incorporated in, and form part of, the Prospectus (other than for the purposes of the Guaranteed Notes):

- (i) the press release headed “The Royal Bank of Scotland Group plc launches Upper Tier 2 Exchange Offers and Tier 1 Tender Offers and Announces Further Details of EC Dividend/Coupon Deferral” published via the Regulated News Service of the London Stock Exchange plc (the “**RNS**”) on 6 April 2010;
- (ii) the press release headed “The Royal Bank of Scotland Group plc and National Westminster Bank Public Limited Company Launch a Cash Tender Offer for Certain Outstanding Securities; Further Details of EC Dividend/Coupon Deferral Announced” published via the RNS on 6 April 2010; and
- (iii) the annual report and accounts of RBS (including the audited consolidated financial statements of RBS, together with the audit report thereon) for the year ended 31 December 2009 (excluding the section headed “Risk Factors” on pages 5 to 23), which were published by RBS on 9 April 2010.

#### *No Material Adverse Change: The Royal Bank of Scotland plc*

There has been no material adverse change in the prospects of RBS and its subsidiaries taken as a whole (the “**Issuer Group**”) since 31 December 2009 (the last date to which the latest audited published financial information of the Issuer Group was prepared).

#### *Risk Factors*

The risk factor headed “As a condition to HM Treasury support, RBSG has agreed to certain undertakings which may serve to limit the Group’s operations and it may be required to agree to further restrictions in the future” on pages 19 and 20 of the registration document of RBSG dated 10 March 2010 (the “**RBSG Registration Document**”) and pages 20 and 21 of the RBS Registration Document, each of which is incorporated by reference into the Prospectus pursuant to the supplementary prospectus dated 10 March 2010 shall, for the purposes of being incorporated by reference into the Prospectus, by virtue of this Supplement, be deemed to be deleted and replaced with the risk factor set out in Schedule 1 to this Supplement.

Page 37 of the RBS Registration Document, which is incorporated by reference into the Prospectus pursuant to the supplementary prospectus dated 10 March 2010 shall, for the purposes of being incorporated by reference into the Prospectus, by virtue of this Supplement, be deemed to be amended by inserting the risk factor set out in Schedule 2 to this Supplement after the final risk factor set out on page 37 of the RBS Registration Document.

The risk factor headed “The restructuring proposals for ABN AMRO are complex and may not realise the anticipated benefits for the Group” on page 25 of the RBSG Registration Document and on page 26 of the RBS Registration Document, each of which is incorporated by reference into the Prospectus pursuant to the supplementary prospectus dated 10 March 2010 shall, for the purposes of being incorporated by reference into the Prospectus, by virtue of this Supplement, be deemed to be deleted and replaced with the risk factor set out in Schedule 3 to this Supplement.

In addition, for the purposes of being incorporated by reference into the Prospectus, by virtue of this Supplement, the RBSG Registration Document and the RBS Registration Document shall be deemed to be amended in accordance with the amendments set out in Schedule 4 to this Supplement.

*Description of The Royal Bank of Scotland Group plc — The Group*

The final paragraph on page 38 of the RBSG Registration Document, which is incorporated by reference into the Prospectus pursuant to the supplementary prospectus dated 10 March 2010 shall, for the purposes of being incorporated by reference into the Prospectus, by virtue of this Supplement, be deemed to be deleted and replaced with the paragraph set out in Schedule 5 to this Supplement.

*Description of The Royal Bank of Scotland plc — RBS and the Group*

The final paragraph on page 38 of the RBS Registration Document, which is incorporated by reference into the Prospectus pursuant to the supplementary prospectus dated 10 March 2010 shall, for the purposes of being incorporated by reference into the Prospectus, by virtue of this Supplement, be deemed to be deleted and replaced with the paragraph set out in Schedule 5 to this Supplement.

*Summary of the Programme: Risk Factors*

The section of the Prospectus headed “Summary of the Programme — Risk Factors — (i) risk factors relating to the Issuers including:” (as amended by the supplementary prospectus dated 10 March 2010) shall, by virtue of this Supplement, be amended by:

- (i) deleting the words “*and it may be required to agree to further restrictions in the future*” from the bullet point paragraph in which those words appear;
- (ii) in the bullet point “*The restructuring proposals for ABN AMRO are complex and may not realise the anticipated benefits for the Group*” the words “*ABN AMRO*” shall be deleted and replaced with the words “*RBS Holdings N.V.*”;
- (iii) inserting the following new bullet point at the end of that section “*• RBS has entered into a credit derivative and a financial guarantee contract with The Royal Bank of Scotland N.V. which may adversely affect the results of RBS and its subsidiaries*”; and
- (iv) deleting the words “*All of the risk factors above apply to both RBSG and RBS with the exception of “the Group’s insurance businesses are subject to inherent risks involving claims which relate to RBSG only”*” and replacing them with the words “*All of the above risk factors above apply to both RBSG and RBS with the exception of (a) “the Group’s insurance businesses are subject to inherent risks involving claims” which relates to RBSG only and (b) “RBS has entered into a credit derivative and a financial guarantee contract with The Royal Bank of Scotland N.V. which may adversely affect the results of RBS and its subsidiaries” which relates to RBS only.*”

*Definition of “Disclosure relating to the Issuers” on page 8 of the Prospectus*

Page 8 of the Prospectus contains a definition of “Disclosure relating to the Issuers”. As set out therein, the Disclosure relating to the Issuers is not incorporated by reference into the Prospectus for the purposes of issues of Guaranteed Notes. By virtue of this Supplement, all the information contained in this Supplement and incorporated by reference into the Prospectus by virtue of this Supplement shall be deemed to be included within the definition of “Disclosure relating to the Issuers”.

A copy of any or all of the information which is incorporated by reference in the Prospectus can be obtained from the website of RBSG at [www.rbs.com](http://www.rbs.com) and from the London Stock Exchange plc's website at [www.londonstockexchange.com/en-gb/pricesnews/marketnews/](http://www.londonstockexchange.com/en-gb/pricesnews/marketnews/).

If the documents which are incorporated by reference in the Prospectus by virtue of this Supplement themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of the Prospectus for the purposes of the Prospectus Directive except where such information or other documents are specifically incorporated by reference in, or attached to, the Prospectus by virtue of this Supplement.

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

Save as disclosed in this Supplement or in any document incorporated by reference in the Prospectus by virtue of this Supplement, 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.

Investors should be aware of their rights under Section 87Q(4) of the FSMA.

## SCHEDULE 1

### **As a condition to HM Treasury support, RBSG has agreed to certain undertakings which may serve to limit the Group's operations**

Under the terms of the First Placing and Open Offer, RBSG provided certain undertakings aimed at ensuring that the subscription by HM Treasury of the relevant Ordinary Shares and preference shares and the Group's participation in the Credit Guarantee Scheme offered by HM Treasury as part of its support for the United Kingdom banking industry are compatible with the common market under EU law. These undertakings include (i) supporting certain initiatives in relation to mortgage lending and lending to SMEs until 2011, (ii) regulating management remuneration and (iii) regulating the rate of growth of the Group's balance sheet. Under the terms of the placing and open offer undertaken by RBSG in April 2009 (the "**Second Placing and Open Offer**"), the Group's undertakings in relation to mortgage lending and lending to SMEs were extended to larger commercial and industrial companies in the United Kingdom. Pursuant to these arrangements, RBS agreed to make available to creditworthy borrowers on commercial terms, £16 billion above the amount RBSG had budgeted to lend to United Kingdom businesses and £9 billion above the amount RBSG had budgeted to lend to United Kingdom homeowners in the year commencing 1 March 2009. For a description of these undertakings, see paragraph 9 of Part IV of the Shareholder Circular, which is incorporated by reference herein.

In relation to the 2009 commitment period, which ended on 28 February 2010, the Group's net mortgage lending to UK homeowners was £12.7 billion above the amount it had originally budgeted to lend. In relation to its business lending commitment, the Group achieved £60 billion of gross new lending to businesses, including £39 billion to SMEs but, in the economic environment prevailing at the time, many customers were strongly focused on reducing their borrowings and repayments consequently increased. Moreover, the withdrawal of foreign lenders was less pronounced than anticipated, there was a sharp increase in capital market issuance and demand continued to be weak. As a result, the Group's net lending did not reach the £16 billion targeted.

In March 2010, RBS agreed with the United Kingdom government certain adjustments to the lending commitments for the 2010 commitment period (the 12 month period commencing 1 March 2010), to reflect expected economic circumstances over the period. As part of the amended lending commitments, RBS has committed, among other things, to make available gross new facilities, drawn or undrawn, of £50 billion to UK businesses in the period 1 March 2010 to 28 February 2011. In addition, RBS has agreed with the United Kingdom government to make available £8 billion of net mortgage lending in the 2010 commitment period. This is a decrease of £1 billion on the net mortgage lending target that previously applied to the 2010 commitment period which ends on 28 February 2011, to reflect that the mortgage lending commitment for the 2009 commitment period was increased from £9 billion to £10 billion.

The Group has also agreed to certain other commitments, which are material for the structure of the Group and its operations, under the State aid restructuring plan approved by the European Commission in relation to State aid, as set out in Part I, Appendix 4 of the Shareholder Circular, which is incorporated by reference herein.

In addition, the Group, together with HM Treasury, has agreed with the European Commission a prohibition on the making of discretionary dividends (including on preference shares and B Shares) or coupon payments on existing hybrid capital instruments for a two-year period from a date commencing no later than 30 April 2010 (which the Group has subsequently announced shall be 30 April 2010). It is possible that the Group may, in future, be subject to further restrictions on

payments on such hybrid capital instruments, whether as a result of undertakings given to regulatory bodies, changes to capital requirements such as the proposals published by the Basel Committee on 17 December 2009 or otherwise. The Group has also agreed to certain other undertakings in the Acquisition and Contingent Capital Agreement, as described in Part I, Appendix 3 of the Shareholder Circular, which is incorporated by reference herein (the “**Acquisition and Contingent Capital Agreement**”).

The undertakings described above may serve to limit the Group’s operations.

## **SCHEDULE 2**

### **RBS has entered into a credit derivative and a financial guarantee contract with The Royal Bank of Scotland N.V. which may adversely affect the Issuer Group's results**

RBS has also entered into a credit derivative and a financial guarantee contract with The Royal Bank of Scotland N.V., which is a subsidiary undertaking of RBSG, under which it has sold credit protection over the exposures held by The Royal Bank of Scotland N.V. and its subsidiaries that are subject to the APS. These agreements may adversely affect the Issuer Group's results as: (a) they cover 100% of losses on these assets whilst the APS provides 90% protection if losses on the whole APS portfolio exceed the first loss; and (b) the basis of valuation of the APS and the financial guarantee contract are asymmetrical: the one measured at fair value and the other at the higher of cost less amortisation and the amount determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

### **SCHEDULE 3**

#### **The restructuring proposals for RBS Holdings N.V. are complex and may not realise the anticipated benefits for the Group**

The restructuring plan in place for the integration and separation of the businesses of ABN AMRO Holding N.V., which was renamed RBS Holdings N.V. on 1 April 2010, into and among the businesses and operations of RBSG, the Dutch State and Banco Santander S.A. (the “**Consortium Members**”) is complex, involving substantial reorganisation of RBS Holdings N.V.’s operations and legal structure. The restructuring plan is being implemented and significant elements have been completed within the planned timescales and the integration of the Group’s businesses continues. Certain assets and liabilities of the RBS Holdings N.V. businesses acquired by the Dutch State were not part of the legal separation which occurred on 1 April 2010 and will be transferred to the Dutch State as soon as possible. In addition, certain assets within RBS Holdings N.V. continue to be shared by the Consortium Members.

The Group may not realise the benefits of the acquisition or the restructuring when expected or to the extent projected. The occurrence of any of these events, including as a result of staff losses or performance issues, or as a result of further disposals or restructurings by the Group, may have a negative impact on the Group’s financial condition and results of operations.



## **SCHEDULE 4**

### **Consequential Amendments to the RBSG Registration Document and the RBS Registration Document**

Pursuant to the supplementary prospectus dated 24 March 2010 (i) the annual results of RBSG for the year ended 31 December 2009, which were published via the RNS on 25 February 2010 are no longer incorporated into the Prospectus and (ii) certain sections of the 2009 annual report and accounts of RBSG, which were published by RBSG on 18 March 2010 were incorporated into the Prospectus. As a consequence of these changes, by virtue of this Supplement, the RBSG Registration Document and the RBS Registration Document shall be amended as set out below.

#### **Amendment 1**

The risk factor headed *“The Group was required to obtain State aid approval, for the aid given to the Group by HM Treasury and for the Group’s State aid restructuring plan, from the European Commission. The Group is subject to a variety of risks as a result of implementing the State aid restructuring plan. The State aid restructuring plan includes a prohibition on the making of discretionary dividend or coupon payments on existing hybrid capital instruments (including preference shares and B Shares) for a two-year period commencing no later than 30 April 2010, which may impair the Group’s ability to raise new Tier 1 capital through the issuance of ordinary shares and other Securities”* on pages 9 and 11 of the RBSG Registration Document and pages 10 and 12 of the RBS Registration Document shall be amended deleting the words:

*“For further details on the State aid restructuring plan, including a description of the Group’s undertakings and the restrictions imposed, see (i) Part I, Appendix 4 of the Shareholder Circular and (ii) Appendix 4 to the 2009 Annual Results of RBSG, each of which is incorporated by reference herein.”*

and replacing them with the words:

*“For further details on the State aid restructuring plan, including a description of the Group’s undertakings and the restrictions imposed, see Part I, Appendix 4 of the Shareholder Circular which is incorporated by reference herein.”*

#### **Amendment 2**

The risk factor headed *“The Group’s earnings and financial condition have been, and its future earnings and financial condition may continue to be, affected by depressed asset valuations resulting from poor market conditions”* on page 15 of the RBSG Registration Document and page 16 of the RBS Registration Document shall be amended by deleting the words:

*“Further information about the write-downs which the Group has incurred and the assets it has reclassified during the year ended 31 December 2009 is set out on pages 151 to 171 of the 2009 Annual Results of RBSG, which are incorporated by reference herein.”*

and replacing them with the words:

*“Further information about the write-downs which the Group has incurred and the assets it has reclassified during the year ended 31 December 2009 is set out on pages 184 to 206 of the 2009 Annual Report and Accounts of RBSG, which are incorporated by reference herein.”*

#### **Amendment 3**

The risk factor headed *“The Group’s business performance could be adversely affected if its capital is not managed effectively or if there are changes to capital adequacy and liquidity requirements”* on pages 17 and 18 of the RBSG Registration Document and pages 17 to 19 of the RBS Registration Document shall be amended by deleting the words:

*“As at 31 December 2009, the Group’s Tier 1 and Core Tier 1 capital ratios were 14.1 per cent. and 11.0 per cent., respectively, calculated in accordance with FSA definitions (see pages 112 to 116 of the 2009 Annual Results of RBSG, which are incorporated by reference herein).”*

and replacing them with the words:

*“As at 31 December 2009, the Group’s Tier 1 and Core Tier 1 capital ratios were 14.1 per cent. and 11.0 per cent., respectively, calculated in accordance with FSA definitions (see pages 117 to 124 of the 2009 Annual Report and Accounts of RBSG, which are incorporated by reference herein).”*

#### **Amendment 4**

The risk factor headed *“The Group’s results have been and could be further adversely affected in the event of goodwill impairment”* on page 22 of the RBSG Registration Document and page 23 of the RBS Registration Document shall be amended by deleting the words:

*“For the year ended 31 December 2009, the Group recorded a £363 million accounting write-down of goodwill and other intangible assets principally relating to ABN AMRO and NatWest goodwill allocated to Non-Core businesses (see page 173 of the 2009 Annual Results of RBSG, which are incorporated by reference herein).”*

and replacing them with the words:

*“For the year ended 31 December 2009, the Group recorded a £363 million accounting write-down of goodwill and other intangible assets principally relating to ABN AMRO and NatWest goodwill allocated to Non-Core businesses (see page 73 of the 2009 Annual Report and Accounts of RBSG, which are incorporated by reference herein).”*

#### **Amendment 5**

The risk factor headed *“In the United Kingdom and in other jurisdictions, the Group is responsible for contributing to compensation schemes in respect of banks and other authorised financial services firms that are unable to meet their obligations to customers”* on pages 24 and 25 of the RBSG Registration Document and pages 25 and 26 of the RBS Registration Document shall be amended by deleting the words:

*“During the financial year ended 31 December 2009, the Group has accrued £135 million for its share of Compensation Scheme management expenses levies for the 2009/10 and 2010/2011 Compensation Scheme years (see page 109 of the 2009 Annual Results of RBSG, which are incorporated by reference herein).”*

and replacing them with the words:

*“During the financial year ended 31 December 2009, the Group has accrued £135 million for its share of Compensation Scheme management expenses levies for the 2009/10 and 2010/2011 Compensation Scheme years (see page 333 of the 2009 Annual Report and Accounts of RBSG, which are incorporated by reference herein).”*

## SCHEDULE 5

On 17 October 2007, RFS Holdings B.V. ("**RFS Holdings**"), which at the time was owned by RBSG, Fortis N.V., Fortis S.A./N.V., Fortis Bank Nederland (Holding) N.V. and Banco Santander, S.A. ("**Santander**"), completed the acquisition of ABN AMRO Holding N.V. (which was renamed RBS Holdings N.V. on 1 April 2010). RFS Holdings, which is now jointly owned by RBSG, the Dutch State and Santander (the "**Consortium Members**"), is continuing the process of implementing an orderly separation of the business units of RBS Holdings N.V. As part of this reorganisation, on 6 February 2010, the businesses of RBS Holdings N.V. acquired by the Dutch State were legally demerged from the RBS Holdings N.V. businesses acquired by the Group and were transferred into a newly established holding company, ABN AMRO Bank N.V. (save for certain assets and liabilities acquired by the Dutch State that were not part of the legal separation and which will be transferred to the Dutch State as soon as possible). Legal separation of ABN AMRO Bank N.V. occurred on 1 April 2010, with the shares in that entity being transferred by RBS Holdings N.V. to a holding company called ABN AMRO Group N.V., which is owned by the Dutch State. Certain assets within RBS Holdings N.V. continue to be shared by the Consortium Members. RBS Holdings N.V. is a fully operational bank within the Group and is independently rated and licensed and regulated by the Dutch Central Bank.

