

SUPPLEMENTARY OFFERING MEMORANDUM DATED 9 AUGUST 2013



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

Pages 1 to 120 inclusive of the offering memorandum dated 22 March 2013 (the “**Offering Memorandum**”) comprise a base prospectus for the purpose of Directive 2003/71/EC, as amended (the “**Prospectus Directive**”) (the “**Prospectus**”) in respect of notes to be admitted to the Official List of the UK Listing Authority and to be admitted to trading on the London Stock Exchange’s regulated market (“**Notes**” or “**PD Notes**”). Pages 121 to 195 inclusive of the Offering Memorandum comprise an offering circular (the “**Offering Circular**”). The Offering Circular has been prepared by the Issuers (as defined below) in connection with the issuance of notes other than PD Notes (“**Non PD Notes**” and, together with the PD Notes, the “**Programme Notes**”). The Offering Circular has not been reviewed or approved by the UK Listing Authority and does not constitute a prospectus for the purpose of the Prospectus Directive.

Supplementary Prospectus

Pages 1 to 6 inclusive of this supplement (the “**4th Supplementary Prospectus**”) constitute a supplementary prospectus for the purposes of the Section 87G of the Financial Services and Markets Act 2000 (the “**FSMA**”) and have been 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 4th Supplementary Prospectus.

This 4th Supplementary Prospectus is supplemental to, and should be read in conjunction with, the Prospectus and the documents incorporated by reference therein. This 4th Supplementary Prospectus should also be read and construed in conjunction with the supplementary prospectuses dated 25 April 2013, 16 May 2013 and 2 July 2013 (the “**Previous Supplementary Prospectuses**”) and the documents incorporated by reference therein which have been previously published and have been approved by the Financial Conduct Authority (the “**FCA**”) and filed with it and which form part of the Prospectus.

Each Issuer accepts responsibility for the information contained in this 4th Supplementary Prospectus. To the best of the knowledge of each Issuer (each 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 4th Supplementary Prospectus is to:

- (a) incorporate by reference into the Prospectus (i) the unaudited Interim Results 2013 of RBSG for the six months ended 30 June 2013, which were published via the Regulatory News Service of the London Stock Exchange plc (the “**RNS**”) on 2 August 2013 (the “**RBSG Interim Results 2013**”); and (ii) the 2 August RNS (as defined below);
- (b) following publication of the RBSG Interim Results 2013, update the statement of no significant change of RBSG; and
- (c) update (i) risks relating to the Group and the Issuer Group; and (ii) certain information relating to litigation and investigations.

Incorporation of Information by Reference

By virtue of this 4th Supplementary Prospectus, the RBSG Interim Results 2013 which have been (1) previously published and (2) filed with the FCA, shall be incorporated in, and form part of, the Prospectus.

By virtue of this 4th Supplementary Prospectus, the press release entitled “Ross McEwan appointed as RBS Group Chief Executive” (the “**2 August RNS**”), which was published via the RNS on 2 August 2013 and which has been (1) previously published and (2) filed with the FCA, 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 RBSG at <http://www.rbs.com> and from the London Stock Exchange plc’s website at <http://www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html>.

If the document which is incorporated by reference in the Prospectus by virtue of this 4th 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 4th Supplementary Prospectus.

Statement of No Significant Change – RBSG

There has been no significant change in the trading or financial position of the Group taken as a whole since 30 June 2013 (the end of the last financial period for which audited financial information or interim financial information of the Group has been published).

Risk Factors

The group is subject to the following new risk factor:

Options to accelerate the potential divestment by HM Treasury of its stake in the Group, including separation of the Group into “good” and “bad” banks, are currently under review and uncertainty remains as to the Group’s future structure and organisation

In June 2013, responding to a recommendation by the UK Parliamentary Commission on Standards in Banking, the Chancellor of the Exchequer announced that the Government would be reviewing the case for splitting the Group into a ‘good bank’ and a ‘bad bank’. This review is being conducted by HM Treasury with external professional support and will look at a broad range of the Group’s assets. HM Treasury’s advisors are expected to report by the end of September and a

decision on the creation of a 'bad bank' is expected in the autumn of 2013. The outcome of the review is far from certain and if a 'good bank/bad bank' strategy were to be adopted, then depending on the nature and scope of the exercise, several hurdles might have to be met before such a separation could take place. These may or may not include the need for shareholder approval and further consultation with the European Commission. Any such restructuring would be complex and lengthy and require significant management time and resources. Until the outcome of the review is known, the Group's future structure and organisation remains uncertain. Such uncertainty could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The risk factor entitled, "The Group's borrowing costs, its access to the debt capital markets and its liquidity depend significantly on its and the UK Government's credit ratings" is also revised to reflect that at 30 June 2013, a simultaneous one notch long-term and associated short term downgrade in the credit ratings of RBSG and RBS by the three main ratings agencies would have required the Group to post estimated additional collateral of £13 billion, without taking account of mitigating action by management.

Litigation and Investigations

Save as set out (i) in the sections entitled "Litigation" and "Investigations and reviews" on pages 30 to 40 of the RBSG Registration Document and pages 31 to 41 of the RBS Registration Document; and (ii) below, no member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which RBSG or RBS is aware) during the 12 months prior to the date of this Supplement, which may have or have had in the recent past, significant effects on the financial position or profitability of RBSG, RBS, the Issuer Group and/or the Group taken as a whole.

Litigation

Shareholder Litigation

Between March and July 2013, similar claims were issued in the High Court of Justice of England and Wales by sets of current and former shareholders, against the Group (and in one of those claims, also against certain former individual officers and directors). On 30 July 2013 these and other similar threatened claims were consolidated by the Court via a Group Litigation Order. The Group considers that it has substantial and credible legal and factual defences to these and other prospective claims that have been threatened in the United Kingdom and the Netherlands.

Credit Default Swap Antitrust Litigation

In May and July 2013, certain members of the Group, as well as a number of other banks, were named as defendants in four antitrust class actions filed in the U.S. District Court for the Northern District of Illinois. The complaints generally allege that defendants violated the U.S. antitrust laws by restraining competition in the market for credit default swaps through various means and thereby causing inflated bid-ask spreads for credit default swaps. The Group considers that it has substantial and credible legal and factual defences to these claims and will defend them vigorously.

Investigations and reviews

LIBOR and other trading rates

On 12 April 2013, RBS Securities Japan Limited received a business improvement order from Japan's Financial Services Agency requiring RBS to take remedial steps to address certain matters, including inappropriate conduct in relation to Yen LIBOR. RBS Securities Japan Limited is

taking steps to address the issues raised in compliance with that order. On 14 June 2013, RBS was listed amongst the 20 banks found by the Monetary Authority of Singapore (“MAS”) to have deficiencies in the governance, risk management, internal controls and surveillance systems relating to benchmark submissions following a finding by MAS that certain traders made inappropriate attempts to influence benchmarks in the period 2007 – 2011. RBS has been ordered to set aside additional statutory reserves with MAS of SGD1-1.2 billion and to formulate a remediation plan.

Technology incident

On 9 April 2013 the FCA announced that it had commenced an enforcement investigation into the incident. The FCA will reach its conclusions in due course and will decide whether or not it wishes to initiate enforcement action following that investigation. The Group is co-operating fully with the FCA's investigation.

Interest rate hedging products

In June 2012, following an industry wide review, the FSA announced that the Group and other UK banks had agreed to a redress exercise and past business review in relation to the sale of interest rate hedging products to some small and medium sized businesses who were classified as retail clients or private customers under FSA rules. The Group has agreed to a similar exercise and past business review in relation to the sale of interest rate hedging products in the Republic of Ireland to retail designated small and medium sized businesses.

Multilateral interchange fees

The EC has proposed a draft regulation on interchange fees for card payments. The draft regulation is subject to a consultation process, prior to being finalised and enacted. It is currently expected that the regulation will be enacted by the end of 2014/early 2015. The draft regulation proposes the capping of both cross-border and domestic MIF rates for debit and credit consumer cards, to take place in two phases. The draft regulation also sets out other proposals for reform including to the Honour All Cards Rule so merchants will be required to accept all cards with the same level of MIF but not cards with different MIF levels.

Credit default swaps (CDS) investigation

The Group is a party to the EC's antitrust investigation into the CDS information market. The Group is co-operating fully with the EC's investigation and in July 2013 received a Statement of Objections from the EC. The EC has raised concerns that a number of banks, Markit and ISDA may have jointly prevented exchanges from entering the CDS market. At this stage, the Group cannot estimate reliably what effect the outcome of the investigation may have on the Group, which may be material.

Securitisation and collateralised debt obligation business

On 28 March 2013, SEC staff informed the Group that it is considering recommending that the SEC initiate a civil or administrative action against RBS Securities Inc. This "Wells" notice arises out of the inquiry that the SEC staff began in September 2010, when it requested voluntary production of information concerning residential mortgage-backed securities underwritten by subsidiaries of RBS during the period from September 2006 to July 2007 inclusive. In November 2010, the SEC commenced a formal investigation. The potential claims relate to due diligence conducted in connection with a 2007 offering of residential mortgage-backed securities and corresponding disclosures. Pursuant to SEC rules, the Group has submitted a response to the Wells notice.

RBS Citizens consent orders

The activities of RBS Citizens' two US bank subsidiaries - RBS Citizens, N.A. and Citizens Bank of Pennsylvania - are subject to extensive US laws and regulations concerning unfair or deceptive acts or practices in connection with customer products. Certain of the bank subsidiaries' practices with respect to overdraft protection and other consumer products have not met applicable standards. The bank subsidiaries have implemented and are continuing to implement changes to bring their practices in conformity with applicable laws and regulations. In April 2013, the bank subsidiaries consented to the issuance of orders by their respective primary federal banking regulators, the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC) (the "**Consent Orders**"). In the Consent Orders (which are publicly available and will remain in effect until terminated by the regulators), the bank subsidiaries neither admitted nor denied the regulators' findings that they had engaged in deceptive marketing and implementation of the bank's overdraft protection program, checking rewards programs, and stop-payment process for pre-authorized recurring electronic fund transfers. The Consent Orders require the bank subsidiaries to pay a total of US\$10 million in civil monetary penalties, to develop plans to provide restitution to affected customers (the amount of which is anticipated to be approximately US\$4 million), to cease and desist any operations in violation of Section 5 of the Federal Trade Commission Act, and to submit to the regulators periodic written progress reports regarding compliance with the Consent Orders. In addition, RBS Citizens, N.A. agreed to take certain remedial actions to improve its compliance risk management systems and to create a comprehensive action plan designed to achieve compliance with the Consent Order. Restitution plans have been prepared and submitted for approval, and RBS Citizens, N.A. has submitted for approval and is in the process of implementing its action plan for compliance with the Consent Order, as well as updated policies, procedures, and programs related to its compliance risk management systems.

Other investigations

On 24 July 2013, the FCA published its Final Notice in relation to its investigation into transaction reporting. The Royal Bank of Scotland plc and The Royal Bank of Scotland N.V. co-operated with the FCA throughout the investigation. The Royal Bank of Scotland plc and The Royal Bank of Scotland N.V. were fined £5.6 million (after discount) and were found to have failed to comply with their transaction reporting obligations to the FSA over a number of years. The FCA has acknowledged that the breaches were not deliberate and that the Group did not profit from the breaches.

Other Information

To the extent that there is any inconsistency between any statement in or incorporated by reference in the Prospectus by virtue of this 4th Supplementary Prospectus and any other statement in or incorporated by reference in the Prospectus or the Previous Supplementary Prospectuses, the statements in or incorporated by reference in the Prospectus by virtue of this 4th Supplementary Prospectus will prevail.

Save as disclosed in the Previous Supplementary Prospectuses and this 4th Supplementary Prospectus or in any document incorporated by reference in the Prospectus by virtue of the Previous Supplementary Prospectuses or this 4th 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 4th Supplementary Prospectus are included for information purposes only and the websites and their content are not incorporated into, and do not form part of, the 4th Supplementary Prospectus or the Prospectus.

Supplementary Offering Circular

Pages 7 to 8 of this supplement (the “4th Supplementary Offering Circular”) constitute a supplement to the Offering Circular and have been prepared in connection with the Programme established by RBSG and RBS. Terms defined in the Offering Circular have the same meaning when used in this 4th Supplementary Offering Circular.

NEITHER THE OFFERING CIRCULAR NOR THIS SUPPLEMENTARY OFFERING CIRCULAR HAVE BEEN REVIEWED OR APPROVED BY THE UK LISTING AUTHORITY AND THE OFFERING CIRCULAR DOES NOT CONSTITUTE A PROSPECTUS FOR THE PURPOSES OF DIRECTIVE 2003/71/EC, AS AMENDED (THE “PROSPECTUS DIRECTIVE”).

This 4th Supplementary Offering Circular is supplemental to, and should be read in conjunction with, the Offering Circular and the documents incorporated by reference therein. This 4th Supplementary Offering Circular should also be read in conjunction with the supplementary offering circulars dated 25 April 2013, 16 May 2013 and 2 July 2013 (the “**Previous Supplementary Offering Circulars**”) and the documents incorporated by reference therein. This 4th Supplementary Offering Circular is to be read in conjunction with the following sections of the 4th Supplementary Prospectus (as amended herein):

- Incorporation of Information by Reference;
- Statement of No Significant Change – RBSG;
- Risk Factors; and
- Litigation and investigations,

which will be deemed to be incorporated by reference herein, save that references to “Prospectus” shall be deemed to be to the “Offering Circular” and references to “Supplementary Prospectus” shall be deemed to be to the “Supplementary Offering Circular”.

Application has been made to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for permission to deal in and quotation for any Non PD Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Non PD Notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this 4th Supplementary Offering Circular. There is no assurance that the application to the SGX-ST for the listing of the Non PD Notes will be approved. Admission to the Official List of the SGX-ST and quotation of any Non PD Notes on the SGX-ST are not to be taken as an indication of the merits of the Issuers, their respective subsidiaries, the Programme or the Non PD Notes.

Each Issuer accepts responsibility for the information contained in this 4th Supplementary Offering Circular. To the best of the knowledge of each Issuer (each 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.

To the extent that there is any inconsistency between any statement in or incorporated by reference in the Offering Circular by virtue of this 4th Supplementary Offering Circular and any other statement in or incorporated by reference in the Offering Circular or the Previous Supplementary Offering Circulars, the statements in or incorporated by reference in the Offering Circular by virtue of this 4th Supplementary Offering Circular will prevail.

Save as disclosed in the Previous Supplementary Offering Circulars and this 4th Supplementary Offering Circular or in any document incorporated by reference in the Offering Circular by virtue of the Previous Supplementary Offering Circulars or this 4th Supplementary Offering Circular, no other significant new factor, material mistake or inaccuracy relating to information included in the Offering Circular has arisen or been noted, as the case may be, since the publication of the Offering Circular.

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