

SUPPLEMENTARY OFFERING MEMORANDUM DATED MAY 17, 2011



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)

U.S.\$35,000,000,000

Medium-Term Note Program

Due Six Months or More From Date of Issue

This Supplement (the "**Supplement**") to the Offering Memorandum (the "**Offering Memorandum**") dated June 10, 2010, which comprises, except as set out therein under the heading "*Documents Incorporated by Reference*" on pages 3 to 5 of the Offering Memorandum and except for the purposes of the issuance of HM Treasury Guaranteed Notes (as defined in the Offering Memorandum), a base prospectus, constitutes a supplementary prospectus for the purposes of Section 87G of the Financial Services and Markets Act 2000 (the "**FSMA**"). This Supplement is prepared in connection with the U.S.\$35,000,000,000 Medium-Term Note Program established by The Royal Bank of Scotland Group plc ("**RBSG**" and, in its capacity as guarantor, the "**Guarantor**") and The Royal Bank of Scotland plc ("**RBS**") (each, an "**Issuer**" and together, the "**Issuers**"). Terms defined in the Offering Memorandum have the same meaning when used in this Supplement.

This Supplement is supplemental to, and should be read in conjunction with, the Offering Memorandum, the supplementary Offering Memorandum dated August 18, 2010, the supplementary Offering Memorandum dated September 24, 2010, the supplementary Offering Memorandum dated December 31, 2010, the supplementary Offering Memorandum dated March 8, 2011, the supplementary Offering Memorandum dated April 7, 2011 and the supplementary Offering Memorandum dated April 27, 2011 (together, the "**Previous Supplements**") and the documents incorporated by reference therein.

Each of the Issuers and the Guarantor accepts responsibility for the information contained in this Supplement. To the best of the knowledge of each of the Issuers and the Guarantor (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 this Supplement

The purpose of this Supplement is to:

- (a) incorporate by reference into the Offering Memorandum the Form 6-K (as defined below);
- (b) for the purposes of being incorporated by reference into the Offering Memorandum, amend the statement of no significant change and no material adverse change contained in the registration document of RBSG dated February 25, 2011 (which was published via the Regulatory News Service of the London Stock Exchange plc (the "**RNS**") on February 25, 2011 and which is incorporated by reference into the Offering Memorandum pursuant to the

supplementary Offering Memorandum dated March 8, 2011) (the “**RBSG Registration Document**”);

- (c) for the purposes of being incorporated by reference into the Offering Memorandum, amend the statement of no significant change and no material adverse change contained in the registration document of RBS dated February 25, 2011 (which was published via the RNS on February 25, 2011 and which is incorporated by reference into the Offering Memorandum pursuant to the supplementary Offering Memorandum dated March 8, 2011) (the “**RBS Registration Document**”);
- (d) amend the existing disclosure set out in the RBSG Registration Document and the RBS Registration Document relating to payment protection insurance, as set out under the heading “Investigations: Payment Protection Insurance” below; and
- (e) amend a term which is defined in the Offering Memorandum in order to reflect changes to the information incorporated in, and incorporated by reference into, the Offering Memorandum as a result of this Supplement.

Incorporation of Information by Reference into the Offering Memorandum

By virtue of this Supplement, the unaudited financial information of RBSG as at and for the three months ended March 31, 2011 on Form 6-K filed with the United States Securities and Exchange Commission on May 16, 2011 pursuant to the United States Securities Exchange Act of 1934, as amended (the “**Form 6-K**”) (available online at http://www.sec.gov/Archives/edgar/data/844150/000095010311001861/dp22541_6k.htm) and which has been (1) previously published and (2) approved by the Financial Services Authority or filed with it, shall be deemed to be incorporated in, and form part of, the Offering Memorandum (other than for the purposes of the issuance of HM Treasury Guaranteed Notes).

The hyperlink included in this Supplement is included for information purposes only. For the avoidance of doubt, the contents of the website referred to above, other than the Form 6-K, shall not be incorporated by reference into the Offering Memorandum, except where such contents are specifically incorporated by reference in the Offering Memorandum.

Investigations: Payment Protection Insurance

By virtue of this Supplement, the third paragraph under the section headed “Payment Protection Insurance” on pages 41 and 42 of the RBSG Registration Document and on page 42 of the RBS Registration Document shall, for the purposes of being incorporated by reference into the Offering Memorandum, be deemed to be deleted and replaced with the following:

“Following unsuccessful negotiations with the industry, the Financial Services Authority (the “**FSA**”) issued consultation papers on PPI complaint handling and redress in September 2009 and again in March 2010. The FSA published its final policy statement on August 10, 2010 and instructed firms to implement the measures contained in it by December 1, 2010. The new rules impose significant changes with respect to the handling of misselling PPI complaints. On October 8, 2010, the British Bankers’ Association (the “**BBA**”) filed an application for judicial review of the FSA’s policy statement and of related guidance issued by the Financial Ombudsman Service (the “**FOS**”). The application was heard in January 2011. On April 20, 2011, the High Court issued a judgment in favour of the FSA and the FOS. The BBA announced on May 9, 2011 that it would not appeal that judgment and the Group supports this position. On May 9, 2011, the Group announced that, although the costs of PPI redress and its administration are subject to a degree of uncertainty, the Group will record an additional provision of £850 million in the second quarter of 2011. To date, the

Group has paid compensation to customers of approximately £100 million and the Group has an existing provision of approximately £100 million.

The Group is currently discussing with the FSA how the FSA's policy statement should be implemented and what its requirements are. As part of these discussions, the Group will review its PPI complaint handling processes to ensure that redress is offered to any customers identified as having suffered detriment."

Significant Change and Material Adverse Change: The Royal Bank of Scotland Group plc

By virtue of this Supplement, each of the paragraphs under the heading "No Significant Change and No Material Adverse Change" on page 62 of the RBSG Registration Document shall, for the purposes of being incorporated by reference into the Offering Memorandum, be deemed to be deleted and the following paragraph shall be incorporated into the Offering Memorandum:

"Save in relation to the matters referred to in the section headed "Investigations: Payment Protection Insurance" in the supplement to this Offering Memorandum dated May 17, 2011, which relates to past sales of Payment Protection Insurance, which was published via the Regulatory News Service of the London Stock Exchange plc on May 17, 2011):

- (a) there has been no significant change in the trading or financial position of RBSG and its subsidiaries consolidated in accordance with International Financial Reporting Standards (the "**Group**") taken as a whole since March 31, 2011 (the end of the last financial period for which either audited financial information or interim financial information of the Group has been published);
- (b) there has been no material adverse change in the prospects of the Group taken as a whole since December 31, 2010 (the last date to which the latest audited published financial information of the Group was prepared)."

Significant Change and Material Adverse Change: The Royal Bank of Scotland plc

By virtue of this Supplement, each of the paragraphs under the heading "No Significant Change and No Material Adverse Change" on page 61 of the RBS Registration Document shall, for the purposes of being incorporated by reference into the Offering Memorandum, be deemed to be deleted and the following paragraph shall be incorporated into the Offering Memorandum:

"Save in relation to the matters referred to in the section headed "Investigations: Payment Protection Insurance" in the supplement to this Offering Memorandum dated May 17, 2011, which relates to past sales of Payment Protection Insurance, which was published via the Regulatory News Service of the London Stock Exchange plc on May 17, 2011):

- (a) there has been no significant change in the trading or financial position of RBS and its subsidiaries consolidated in accordance with International Financial Reporting Standards (the "**RBS Group**") taken as a whole since December 31, 2010 (the end of the last financial period for which either audited financial information or interim financial information of the RBS Group has been published); and
- (b) there has been no material adverse change in the prospects of the RBS Group taken as a whole since December 31, 2010 (the last date to which the latest audited published financial information of the RBS Group was prepared)."

Defined Term Used in the Offering Memorandum

Page 5 of the Offering Memorandum contains a definition of "*Disclosure relating to the Issuers and the Guarantor.*" By virtue of this Supplement the information contained in this Supplement and

incorporated by reference into the Offering Memorandum pursuant to this Supplement, as set out under the headings “*Incorporation of Information by Reference into the Offering Memorandum*”, “*Investigations: Payment Protection Insurance*”, “*Significant Change and Material Adverse Change: The Royal Bank of Scotland Group plc*” and “*Significant Change and Material Adverse Change: The Royal Bank of Scotland plc*” in this Supplement, shall be deemed to be included within the definition of “*Disclosure relating to the Issuers and the Guarantor*” in the Offering Memorandum.

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

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

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

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