



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 "**2nd Supplementary Prospectus**") to the Prospectus dated 7 December 2017, as supplemented by the 1st supplementary prospectus dated 3 January 2018 (the "**Prospectus**"), which comprises a base prospectus for the purpose of Directive 2003/71/EC (as amended), constitutes a supplementary prospectus for the purposes of Section 87G of the Financial Services and Markets Act 2000 (the "**FSMA**") and has 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 2nd Supplementary Prospectus.

This 2nd Supplementary Prospectus is supplemental to, and should be read in conjunction with, the Prospectus and the documents incorporated by reference therein.

Each Issuer accepts responsibility for the information contained in this 2nd 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 2nd Supplementary Prospectus is to:

- (a) incorporate by reference into the Prospectus:
 - (i) certain sections of the 2017 Annual Report and Accounts of RBSG (as defined below); and
 - (ii) the 2017 Annual Report and Accounts of RBS (as defined below);
- (b) following publication of the 2017 Annual Report and Accounts of RBSG, update the statements of no significant change and no material adverse change for RBSG;
- (c) following publication of the 2017 Annual Report and Accounts of RBS, update the statements of no significant change and no material adverse change for RBS;
- (d) update the risk factors set out in the Prospectus;
- (e) update certain information relation to legal proceedings;

- (f) update certain information relating to external auditors and financial information of the Issuers; and
- (g) update certain sections of the Prospectus in light of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments ("**MiFID II**").

Incorporation of Information by Reference

By virtue of this 2nd Supplementary Prospectus:

- (a) the following sections of the 2017 annual report and accounts of RBSG (the "**2017 Annual Report and Accounts of RBSG**"), which were published via the Regulatory News Service of the London Stock Exchange plc (the "**RNS**") on 23 February 2018:
 - (i) Independent auditor's report on pages 230 to 243;
 - (ii) Consolidated income statement on page 244;
 - (iii) Consolidated statement of comprehensive income on page 245;
 - (iv) Consolidated balance sheet on page 246;
 - (v) Consolidated statement of changes in equity on pages 247 to 249;
 - (vi) Consolidated cash flow statement on page 250;
 - (vii) Accounting policies on pages 251 to 263;
 - (viii) Notes on the consolidated accounts on pages 264 to 333;
 - (ix) Parent company financial statements and notes on pages 334 to 356;
 - (x) 2017 performance highlights on pages 4 to 5;
 - (xi) Chairman's statement on pages 6 to 8;
 - (xii) Chief Executive's review on pages 9 to 11;
 - (xiii) 2017 performance summary on pages 12 to 18;
 - (xiv) Our business model and strategy on pages 19 to 25;
 - (xv) Our approach on pages 26 to 37;
 - (xvi) Our operating environment on pages 38 to 47;
 - (xvii) Business review on pages 117 to 148;
 - (xviii) Governance at a glance on page 48;
 - (xix) Viability statement on page 49;
 - (xx) Corporate governance on pages 57 to 62;
 - (xxi) Directors' remuneration report on pages 83 to 100;

- (xxii) Other Remuneration Disclosures on pages 101 to 105;
- (xxiii) Compliance report on pages 106 to 108;
- (xxiv) Report of the directors on pages 109 to 115;
- (xxv) Statement of directors' responsibilities on page 116;
- (xxvi) Capital and risk management on pages 149 to 228;
- (xxvii) Financial Summary on pages 358 to 369;
- (xxviii) Material contracts on pages 370 to 371;
- (xxix) Risk factors on pages 372 to 402;
- (xxx) Forward looking statements on page 407;
- (xxxi) Abbreviations and acronyms on page 408;
- (xxxii) Glossary of terms on pages 409 to 415; and

- (b) the annual report and accounts of RBS (including the audited consolidated annual financial statements of RBS, together with the audit report thereon) for the financial year ended 31 December 2017, which was published via the RNS on 23 February 2018 (the "**2017 Annual Report and Accounts of RBS**"),

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. The 2017 Annual Report and Accounts of RBS shall be included within the definition of "RBS Information" on page (ii) 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/news/market-news/market-news-home.html>.

If a document which is incorporated by reference in the Prospectus by virtue of this 2nd 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 2nd 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 2nd 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 - RBSG

There has been no significant change in the trading or financial position of the Group taken as a whole since 31 December 2017 (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 2017 (the last date to which the latest audited published financial information of the Group was prepared).

Statement of No Significant Change and No Material Adverse Change - RBS

There has been no significant change in the financial position of the RBS Group taken as a whole since 31 December 2017 (the end of the last financial period for which the latest audited or interim financial information of the RBS Group has been published).

There has been no material adverse change in the prospects of RBS since 31 December 2017 (the last date to which the latest audited published financial information of the RBS Group was prepared).

Updating the risk factors set out in the Prospectus

- (a) The first paragraph of the section entitled "Risk Factors relating to the Issuers" set out on page 7 of the Prospectus shall be deleted and replaced with the following:

"Prospective investors should consider the section entitled "Risk Factors" at pages 372-402 in the 2017 Annual Report and Accounts of RBSG and at pages 189-222 in the 2017 Annual Report and Accounts of RBS as referred to in, and incorporated by reference into, this Prospectus, as supplemented by the information below."; and

- (b) The second paragraph of the risk factor "*RBS may issue Notes which mature after implementation of the UK ring-fencing requirements*" set out on page 8 of the Prospectus shall be deleted.

- (c) The risk factor "*The Notes may be written down or converted into ordinary shares*" commencing on page 10 of the Prospectus shall be updated so that the third sentence in the sixth paragraph is deleted and replaced with the following:

"See further "*The Group may become subject to the application of stabilisation or resolution powers in certain significant stress situations, which may result in various actions being taken in relation to the Group and any securities of the Group, including the write-off, write-down or conversion of the Group's securities*" on pages 399 to 401 of the 2017 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 67 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, RBS and the Group face, see the section entitled "Litigation, investigations and reviews" in the

"Notes" at pages 313 to 325 of the 2017 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 313 to 325 of the 2017 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 Issuers are aware), which may have or have had during the 12 months preceding the date of this 2nd Supplementary Prospectus, a significant effect on the financial position or profitability of RBSG, RBS, the Group and/or, as the case may be, the RBS Group.

Information on Auditors and Financial Statements

The section entitled "Auditors and Financial Statements – RBSG" commencing on page 125 of the Prospectus shall be amended to include the following:

"The consolidated financial statements of RBSG for the year ended 31 December 2017 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 2017 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 2017 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."

The section entitled "Auditors and Financial Statements – RBS" set out on page 126 of the Prospectus shall be amended to include the following:

"The consolidated financial statements of RBS for the year ended 31 December 2017 have been audited by EY. The financial information incorporated by reference in this Prospectus in relation to RBS does not constitute RBS statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2017 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 2017 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."

MiFID II

Certain sections of the Prospectus shall be updated in light of MiFID II, as follows:

(a) the information set out on page v of the Prospectus shall be supplemented to include the following:

i. after the existing second paragraph:

"An investment in the Notes may give rise to higher yields than a bank deposit placed with RBS or with any other deposit-taking entity in the Group (a "**Bank Deposit**"). However, an investment in the Notes carries risks which are very different from the risk profile of a Bank Deposit. The Notes are expected to have greater liquidity than a Bank Deposit since Bank Deposits are generally not transferable. However, the Notes may have no established trading market

when issued, and one may never develop. See further "Risk Factors – Risk Factors relating to the Notes - Risks related to the market generally – The secondary market generally". In addition, payments on Tier 2 Notes are subordinated obligations of the relevant Issuer. Investments in the Notes do not benefit from any protection provided pursuant to Directive 2014/49/EU of the European Parliament and of the Council on deposit guarantee schemes or any national implementing measures implementing this Directive in any jurisdiction. Therefore, if the relevant Issuer becomes insolvent or defaults on its obligations, investors investing in such Notes in a worst case scenario could lose their entire investment. Further, as a result of the implementation of the BRRD (as defined below), holders of the Notes may be subject to write-down or conversion into equity on any application of the general bail-in tool and non-viability loss absorption, which may result in such holders losing some or all of their investment. See further "Risk Factors – Risk Factors relating to the Notes – Risks related to the structure of a particular issue of Notes – The Notes may be written down or converted into ordinary shares".; and

- ii. after the existing fifth paragraph:

"MiFID II product governance / target market – The Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes, or any drawdown prospectus) may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **"distributor"**) should take into consideration the target market assessment; however, a distributor subject to MiFID II (as defined below) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the **"MiFID Product Governance Rules"**), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers (in each case, in such capacity) nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.";

- (b) the sub-sections entitled "Forms of Final Terms – Part I – Applicable Final Terms for Issues by RBSG" on pages 81 to 89 and "Forms of Final Terms – Part II – Applicable Final Terms for Issues by RBS" on pages 90 to 98 of the Prospectus shall be supplemented to include the following paragraph on page 82 and page 91 respectively, before the paragraph beginning with "Prohibition of Sales to EEA Retail Investors":

"[MiFID II Product Governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, **"MiFID II"**); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling

or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]" ; and

- (c) the sub-sections entitled "Forms of Pricing Supplements – Part I – Applicable Pricing Supplement for Issues by RBSG" on pages 99 to 110 and "Forms of Pricing Supplements – Part II – Applicable Pricing Supplement for Issues by RBS" on pages 111 to 123 of the Prospectus shall be supplemented to include the following paragraph on page 99 and 111 respectively, before the paragraph beginning with "Prohibition of Sales to EEA Retail Investors":

"[MiFID II Product Governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**") ; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]/[*other appropriate target market legend to be included*]" .

Other Information

To the extent that there is any inconsistency between any statement in this 2nd Supplementary Prospectus and any other statement in or incorporated by reference in the Prospectus, the statements in this 2nd Supplementary Prospectus will prevail.

Save as disclosed in this 2nd 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 2nd 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 2nd Supplementary Prospectus or the Prospectus.