

SUPPLEMENTARY PROSPECTUS DATED 24 FEBRUARY 2017



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 “**1st Supplementary Prospectus**”) to the Prospectus dated 16 December 2016 (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 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.

Each Issuer accepts responsibility for the information contained in this 1st 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 1st Supplementary Prospectus is to:

- (a) incorporate by reference into the Prospectus:
 - (i) certain sections of the 2016 Annual Report and Accounts of RBSG (as defined below);
 - (ii) certain sections of the 2016 Annual Report and Accounts of RBS (as defined below); and
 - (iii) the 24 February RNS (as defined below);
- (b) following publication of the 2016 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 2016 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 Base Prospectus;

- (e) update certain information relating to legal proceedings, litigation and investigations; and
- (f) update certain information relating to the external auditors and financial information of the Issuers.

Incorporation of Information by Reference

By virtue of this 1st Supplementary Prospectus:

- (a) the following sections of the 2016 annual report and accounts of RBSG (the “**2016 Annual Report and Accounts of RBSG**”), which were published via the Regulatory News Service of the London Stock Exchange plc (the “**RNS**”) on 24 February 2017:
 - (i) Independent auditor’s report on pages 278 to 289;
 - (ii) Consolidated income statement on page 290;
 - (iii) Consolidated statement of comprehensive income on page 291;
 - (iv) Consolidated balance sheet on page 292;
 - (v) Consolidated statement of changes in equity on pages 293 to 295;
 - (vi) Consolidated cash flow statement on page 296;
 - (vii) Accounting policies on pages 297 to 313;
 - (viii) Notes on the consolidated accounts on pages 314 to 390;
 - (ix) Parent company financial statements and notes on pages 391 to 415;
 - (x) 2016 Performance on pages 4 to 5;
 - (xi) Chairman’s statement on pages 6 to 8;
 - (xii) Chief Executive’s review on pages 9 to 11, except for the final paragraph on page 11;
 - (xiii) 2016 performance summary on pages 12 to 18, except for the first bullet point in the section entitled ‘2017 Outlook’ on page 17;
 - (xiv) Business model and strategy on pages 19 to 25;
 - (xv) Our approach on pages 26 to 31;
 - (xvi) Our operating environment on pages 32 to 39;
 - (xvii) Business review on pages 41 to 53;
 - (xviii) Governance at a glance on page 54;
 - (xix) Viability statement on page 55;
 - (xx) Corporate governance on pages 63 to 68;
 - (xxi) Directors’ remuneration report on pages 88 to 108;
 - (xxii) Other Remuneration Disclosures on pages 109 to 111;
 - (xxiii) Compliance report on pages 112 to 114;
 - (xxiv) Report of the directors on pages 115 to 121;

- (xxv) Statement of directors' responsibilities on page 122;
 - (xxvi) Capital and risk management on pages 164 to 276;
 - (xxvii) Financial Summary on pages 417 to 429;
 - (xxviii) Material contracts on pages 430 to 431;
 - (xxix) Risk factors on pages 432 to 463;
 - (xxx) Forward looking statements on pages 467 to 468;
 - (xxxi) Abbreviations and acronyms on page 469;
 - (xxxii) Glossary of terms on pages 470 to 476;
- (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 2016 (excluding the sections headed "Top and emerging risks" on page 5 and "Additional information – Risk factors" on pages 239 to 278), which was published via the RNS on 24 February 2017 (the "**2016 Annual Report and Accounts of RBS**"); and
- (c) the announcement entitled "Directorate Change", which was published via the RNS on 24 February 2017 (the "**24 February RNS**"),

each of which has been (1) previously published and (2) filed with the Financial Conduct Authority (the "**FCA**"), shall be incorporated in, and form part of, the Prospectus. The 2016 Annual Report and Accounts of RBS shall be included within the definition of "RBS Information" on page (i) 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 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 – RBSG

There has been no significant change in the trading or financial position of the Group taken as a whole since 31 December 2016 (the end of the last financial period for which 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 2016 (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 Issuer Group taken as a whole since 31 December 2016 (the end of the last financial period for which audited or interim financial information of the Issuer Group has been published).

There has been no material adverse change in the prospects of RBS since 31 December 2016 (the last date to which the latest audited published financial information of the Issuer Group was prepared).

Updating the risk factors set out in the Base Prospectus

The section entitled “Risk Factors relating to the Issuers” on pages 6 – 10 of the Base Prospectus shall be deleted and replaced with the following:

“Risk Factors relating to the Issuers

Prospective investors should consider the section entitled “Risk Factors” at pages 432 – 463 in the 2016 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 Base Prospectus

The section entitled “Legal Proceedings” on page 66 of the Base Prospectus shall be deleted and replaced with the following:

“Legal Proceedings

For a description of the 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 367 – 381 of the 2016 Annual Report and Accounts of RBSG as referred to in, and incorporated by reference into, this Prospectus.”

Litigation and Investigations

Save as set out in the section entitled “Litigation, investigations and reviews” on pages 367 to 381 of the 2016 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 RBSG or RBS 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, RBS, the Group and/or, as the case may be, the Issuer Group.

Information on Auditors and Financial Statements

The section entitled “Auditors and Financial Statements – RBSG” on page 123 of the Base Prospectus shall be amended to include the following:

“The consolidated financial statements of RBSG for the year ended 31 December 2016 have been audited by Ernst & Young LLP (authorised and regulated by the FCA for designated investment business), whose address is 25 Churchill Place, Canary Wharf, London E14 5EY. Ernst & Young

LLP is registered with and authorised for regulated activities by the ICAEW and all partners of Ernst & Young LLP have a practising certificate with the ICAEW.

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 2016 to which the financial information in this Prospectus relates will be delivered to the Registrar of Companies in Scotland.

Ernst & Young LLP has reported on such statutory accounts and such reports in respect of the year ended 31 December 2016 were 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" on page 123 of the Base Prospectus shall be amended to include the following:

"The consolidated financial statements of RBS for the year ended 31 December 2016 have been audited by Ernst & Young LLP (authorised and regulated by the FCA for designated investment business), whose address is 25 Churchill Place, Canary Wharf, London E14 5EY. Ernst & Young LLP is registered with and authorised for regulated activities by the ICAEW and all partners of Ernst & Young LLP have a practising certificate with the ICAEW.

The financial information incorporated by reference in this Prospectus in relation to RBS does not constitute RBS's statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2016 to which the financial information in this Prospectus relates will be delivered to the Registrar of Companies in Scotland.

Ernst & Young LLP has reported on such statutory accounts and such reports in respect of the year ended 31 December 2016 were 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 or incorporated by reference in the Prospectus by virtue of this 1st Supplementary Prospectus 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 1st Supplementary Prospectus will prevail.

Save as disclosed in this 1st Supplementary Prospectus or in any document incorporated by reference in the Prospectus by virtue of 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, the 1st Supplementary Prospectus or the Prospectus.