

SUPPLEMENTARY PROSPECTUS DATED 12 MAY 2014



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 10 March 2014 (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. This 2nd Supplementary Prospectus should also be read and construed in conjunction with the supplementary prospectus dated 19 March 2014 (the “**Previous Supplementary Prospectus**”).

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) the 4 April RNS (as defined below);
 - (ii) the 9 April RNS (as defined below);
 - (iii) the 2 May RNS (as defined below);
 - (iv) the RBSG Interim Management Statement (as defined below);
 - (v) certain sections of the 2013 Annual Report and Accounts of RBSG (as defined below); and
 - (vi) certain sections of the 2013 Annual Report and Accounts of RBS (as defined below);

- (b) following publication of the 2013 Annual Report and Accounts of RBSG and the 2013 Annual Report and Accounts of RBS, update the statements of no significant change and no material adverse change for RBSG and RBS;
- (c) update certain information relating to RBS' assets, owners' equity and capital ratios following the publication of the 2013 Annual Report and Accounts of RBS; and
- (d) update certain information relating to litigation and investigations.

Incorporation of Information by Reference

By virtue of this 2nd Supplementary Prospectus:

- (a) the press release entitled "Ewen Stevenson appointed as RBS Chief Finance Officer", which was published via the Regulatory News Service of the London Stock Exchange plc (the "**RNS**") on 4 April 2014 (the "**4 April RNS**");
- (b) the press release entitled "RBS announces an agreement with HMT to provide for the future retirement of the Dividend Access Share and revised State aid terms", which was published via the RNS on 9 April 2014 (the "**9 April RNS**");
- (c) the press release entitled "Board Change", which was published via the RNS on 2 May 2014 (the "**2 May RNS**"); and
- (d) the unaudited Interim Management Statement Q1 2014 of RBSG (the "**RBSG Interim Management Statement**"), which was published via the RNS on 2 May 2014,

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.

By virtue of this 2nd Supplementary Prospectus, the following sections of the 2013 annual report and accounts of RBSG, which were published via the RNS on 25 April 2014 and which have been (1) previously published and (2) filed with the FCA (the "**2013 Annual Report and Accounts of RBSG**"), shall be incorporated in, and form part of, the Prospectus:

- (i) Independent auditor's report on pages 366 to 369;
- (ii) Consolidated income statement on page 370;
- (iii) Consolidated statement of comprehensive income on page 371;
- (iv) Consolidated balance sheet as at 31 December 2013 on page 372;
- (v) Consolidated statement of changes in equity on pages 373 to 375;
- (vi) Consolidated cash flow statement on page 376;
- (vii) Accounting policies on pages 377 to 390;
- (viii) Notes on the consolidated accounts on pages 391 to 496;
- (ix) Parent company financial statements and notes on pages 497 to 507;
- (x) 2013 Financial Results on pages 2 to 5;
- (xi) Our business model and strategy on pages 8 to 10;
- (xii) RBS at a glance on pages 11 to 19;
- (xiii) Chairman's statement on pages 22 to 23;

- (xiv) Chief Executive's review on pages 24 to 27;
- (xv) Economic and monetary environment on page 28;
- (xvi) Business review on pages 100 to 173;
- (xvii) Risk and Balance Sheet Management on pages 174 to 364;
- (xviii) Letter from the Chairman on pages 36 to 37;
- (xix) Our governance structure on page 38;
- (xx) Corporate governance on pages 45 to 49;
- (xxi) Directors' remuneration report on pages 66 to 86;
- (xxii) Other Remuneration Disclosures on pages 87 to 90;
- (xxiii) Compliance report on pages 91 to 92;
- (xxiv) Report of the Directors on pages 93 to 98;
- (xxv) Statement of directors' responsibilities on page 99;
- (xxvi) Financial Summary on pages 509 to 519;
- (xxvii) Exchange rates on page 519;
- (xxviii) Supervision on page 520;
- (xxix) Description of property and equipment on page 520;
- (xxx) Major shareholders on page 521;
- (xxxi) Material contracts on pages 521 to 522;
- (xxxii) Abbreviations and acronyms on page 548; and
- (xxxiii) Glossary of terms on pages 549 to 556.

By virtue of this 2nd Supplementary Prospectus, 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 2013 (excluding the sections headed "Financial review – Risk factors" on pages 7 to 8 and "Additional information – Risk factors" on pages 331 to 346), which were published via the RNS on 25 April 2014 and which have been (1) previously published and (2) filed with the FCA (the "**2013 Annual Report and Accounts of RBS**"), shall be incorporated in, and form part of, the Prospectus. The 2013 Annual Report and Accounts of RBS shall be included within the definition of "RBS Information" on page 2 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 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 2013 (the end of the last financial period for which audited financial information of the Group has been published).

There has been no material adverse change in the prospects of the Group taken as a whole since 31 December 2013 (the date of the last published audited financial information of the Group).

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

There has been no significant change in the trading or financial position of the Issuer Group taken as a whole since 31 December 2013 (the end of the last financial period for which audited financial information of the Issuer Group has been published).

There has been no material adverse change in the prospects of the Issuer Group taken as a whole since 31 December 2013 (the date of the last published audited financial information of the Issuer Group).

Assets, owners' equity and capital ratios

The Issuer Group had total assets of £1,020 billion and owners' equity of £49 billion as at 31 December 2013. The Issuer Group's capital ratios as at 31 December 2013 were a total capital ratio of 17.4 per cent., a Core Tier 1 capital ratio of 9.8 per cent. and a Tier 1 capital ratio of 11.4 per cent.

Litigation and Investigations

Save as set out (i) in the sections entitled "Litigation" and "Investigations and reviews" on pages 34 to 48 of the RBSG Registration Document and pages 34 to 48 of the RBS Registration Document; and (ii) in the section entitled "Litigation, investigations and reviews" on page 71 of the RBSG Interim Management Statement, 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 2nd Supplementary Prospectus, 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.

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 2nd Supplementary Prospectus and any other statement in or incorporated by reference in the Prospectus or the Previous Supplementary

Prospectus, the statements in or incorporated by reference in the Prospectus by virtue of this 2nd Supplementary Prospectus will prevail.

Save as disclosed in the Previous Supplementary Prospectus and this 2nd Supplementary Prospectus or in any document incorporated by reference in the Prospectus by virtue of the Previous Supplementary Prospectus or 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, the 2nd Supplementary Prospectus or the Prospectus.