

SUPPLEMENTARY PROSPECTUS DATED 14 AUGUST 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 “**3rd 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 3rd Supplementary Prospectus.

This 3rd Supplementary Prospectus is supplemental to, and should be read in conjunction with, the Prospectus and the documents incorporated by reference therein. This 3rd Supplementary Prospectus should also be read and construed in conjunction with the supplementary prospectuses dated 19 March 2014 and 12 May 2014 (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 3rd 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 3rd Supplementary Prospectus is to:

- (a) incorporate by reference into the Prospectus:
 - (i) the RBSG Interim Results 2014 (as defined below); and
 - (ii) the 21 July RNS (as defined below);
- (b) following publication of the RBSG Interim Results 2014, update the statement of no significant change of RBSG; and
- (c) update certain information relating to litigation and investigations.

Incorporation of Information by Reference

By virtue of this 3rd Supplementary Prospectus:

- (a) the unaudited Interim Results 2014 of RBSG for the six months ended 30 June 2014, which were published via the Regulatory News Service of the London Stock Exchange plc (the “RNS”) on 1 August 2014 (the “**RBSG Interim Results 2014**”); and
- (b) the press release entitled “Restatement Document” which was published via the RNS on 21 July 2014 (the “**21 July RNS**”),

each of 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 a document which is incorporated by reference in the Prospectus by virtue of this 3rd 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 3rd 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 2014 (the end of the last financial period for which audited financial information or interim financial information of the Group has been published).

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; (ii) in the section entitled “Litigation, investigations and reviews” on page 71 of the unaudited Interim Management Statement Q1 2014 of RBSG, which was published via the RNS on 2 May 2014; and (iii) below, there are no, nor during the 12 months prior to the date of this 3rd Supplementary Prospectus have there been any, 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 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

With respect to the ADR claims, the plaintiffs appealed the dismissal of the case to the Second Circuit Court of Appeals, and that appeal was heard on 19 June 2014. A decision in respect of the appeal is awaited.

Since April 2014, further High Court claims have been issued against the Group under the Group Litigation Order. There are likely to be further case management conferences which, in due course, will lead to a trial date being set.

Other securitisation and securities related litigation in the United States

On 19 June 2014, another FHFA lawsuit in which RBS Securities Inc. was an underwriter defendant (against Ally Financial Group) was settled by RBS Securities Inc. for US\$99.5 million. This amount is fully provided for.

The purported MBS class action in which Group companies are defendants called *In re IndyMac Mortgage-Backed Securities Litigation* has been settled in principle subject to documentation and court approval.

London Interbank Offered Rate (LIBOR)

Most of the USD LIBOR-related actions in which Group companies are defendants, including all purported class actions relating to USD LIBOR, have been transferred to a coordinated proceeding in the United States District Court for the Southern District of New York. In the coordinated proceeding, consolidated class action complaints were filed on behalf of (1) exchange-based purchaser plaintiffs, (2) over-the-counter purchaser plaintiffs, and (3) corporate debt purchaser plaintiffs. In orders dated 29 March 2013 and 23 June 2014, the Court dismissed plaintiffs' antitrust claims and claims under RICO (Racketeer Influenced and Corrupt Organizations Act), but declined to dismiss (a) certain Commodities Exchange Act claims on behalf of persons who transacted in Eurodollar futures contracts and options on futures contracts on the Chicago Mercantile Exchange (on the theory that defendants' alleged persistent suppression of USD LIBOR caused loss to plaintiffs), and (b) certain contract and unjust enrichment claims on behalf of over-the-counter purchaser plaintiffs who transacted directly with a defendant. Discovery is stayed. Over 35 other USD LIBOR-related actions involving RBS have been stayed pending further order from the Court. On 30 June 2014, the U.S. Supreme Court announced that it would consider an appeal by plaintiffs whose claims have been dismissed in their entirety to decide whether those plaintiffs have the procedural right to appeal the dismissals to the U.S. Court of Appeals for the Second Circuit on an interlocutory basis instead of waiting until there is a final judgment in the coordinated proceeding.

Certain members of the Group have also been named as defendants in class actions relating to (i) JPY LIBOR and Euroyen TIBOR (the "**Yen action**") and (ii) Euribor (the "**Euribor action**"), both of which are pending in the United States District Court for the Southern District of New York. On 28 March 2014, the Court in the Yen action dismissed the plaintiffs' antitrust claims, but refused to dismiss their claims under the Commodity Exchange Act for price manipulation.

FX antitrust litigation

On 30 May 2014, the defendants, including certain members of the Group, filed motions to dismiss the complaints in a consolidated antitrust class action on behalf of U.S.-based plaintiffs and two similar complaints on behalf of non-U.S. plaintiffs in Norway and South Korea.

Complex Systems

RBS N.V. is a defendant in an action being heard in the United States District Court for the Southern District of New York filed by Complex Systems, Inc ("CSI"). The plaintiff alleges that RBS N.V. has since late 2007 been using the plaintiff's back-office trade finance processing software without a valid licence, in violation of the US Copyright Act. After granting summary judgment to CSI on the issue of liability, the Court on 9 May 2014 issued an injunction that requires RBS N.V. to cease using the disputed software. RBS N.V. has appealed the injunction and the underlying liability determination to the U.S. Court of Appeals for the Second Circuit. On 26 June 2014, that court denied RBS N.V.'s request that the injunction be stayed pending the outcome of the appeal. RBS N.V. is currently in discussions with CSI to resolve the dispute.

CPDO Litigation

CPDO claims have been served on RBS N.V. in England, the Netherlands and Australia relating to the sale of a type of structured financial product known as a constant proportion debt obligation (“**CPDO**”). In March 2013, RBS N.V. was ordered to pay A\$19.7 million by the Federal Court of Australia. RBS N.V. appealed this decision, and the appeal court found against RBS N.V. in May 2014. RBS N.V. has made the required payment of A\$19.7 million. The judgment may potentially have significance to the other claims served and to any future similar claims.

Investigations and Reviews

LIBOR, other trading rates and foreign exchange trading

In July 2014, RBS entered into an Enforceable Undertaking (“**EU**”) with the Australian Securities and Investments Commission (“**ASIC**”) in relation to potential misconduct involving the Australian Bank Bill Swap Rate. RBS undertakes in the EU to (a) comply with its existing undertakings arising out of the February 2013 settlement with the United States Commodity Futures Trading Commission as they relate to Australian Benchmark Interest Rates, (b) implement remedial measures with respect to its trading in Australian reference bank bills and (c) appoint an independent compliance expert to review and report on RBS’s implementation of such remedial measures. The remediation measures include ensuring appropriate records retention, training, communications surveillance and trading reviews are in place. As part of the EU, RBS also agreed to make a voluntary contribution of A\$1.6 million to fund independent financial literacy projects in Australia.

In addition, various governmental and regulatory authorities have commenced investigations into foreign exchange trading and sales activities apparently involving multiple financial institutions. The Group has received enquiries from certain of these authorities including the FCA. The Group is reviewing communications and procedures relating to certain currency exchange benchmark rates as well as foreign exchange trading and sales activity. It is not possible to estimate reliably what effect the outcome of these investigations, any regulatory findings and any related developments may have on the Group, including the timing and amount of fines or settlements, which may be material.

On 21 July 2014, the Serious Fraud Office announced that it was launching a criminal investigation into allegations of fraudulent conduct in the foreign exchange market, apparently involving multiple financial institutions.

Interest rate hedging products

The Group has reached agreement with the independent reviewer in relation to redress outcomes for almost all in scope customers (those non-sophisticated customers classified as retail clients or private customers who were mis-sold interest rate products). The Group and the independent reviewer are now focused on completing the few remaining review outcomes, as well as assessing ancillary issues such as consequential loss claims.

The Group is voluntarily undertaking a similar exercise and past business review in relation to the sale of interest rate hedging products to retail designated small and medium sized businesses in the Republic of Ireland and to relevant customers of RBS International. Current expectations are that these will be completed by 31 December 2014.

FSA mystery shopping review

Subsequent to the FSA announcing the results of its mystery shopping review, the FCA has required the Group to carry out a past business review and customer contact exercise on a sample

of historic customers that received investment advice on certain lump sum products through the Financial Planning channel of the Personal and Business Banking division of the Group, which includes The Royal Bank of Scotland plc and National Westminster Bank Plc, during the period from March 2012 until December 2012. This review is being conducted under section 166 of the FSMA, under which a skilled person has been appointed to monitor such exercise. Alongside this review, the Personal and Business Banking business of the Group is also carrying out self-initiated reviews of certain parts of its advice back book and discussions are taking place with the FCA in relation to a remediation exercise for a specific customer segment who may have been mis-sold a structured product.

Card Protection Plan Limited

Payments are now being made under a compensation scheme in relation to the sale of card and/or identity protection insurance to certain retail customers.

Tomlinson Report

A separate independent review of the principal allegation, led by Mason Hayes & Curran, Solicitors, has been commenced in the Republic of Ireland. The Group's current expectation is that this review will be completed by 30 September 2014.

UK personal current accounts/retail banking

On 11 March 2014, the successor body to the OFT and CC, the Competition & Markets Authority ("CMA"), announced that in addition to its pending SME review (see below), it would be undertaking an update of the OFT's 2013 PCA review. On 18 July 2014 the CMA published its preliminary findings in respect of both the PCA and SME market studies. The CMA provisionally decided to make a market investigation reference ("MIR") for both the PCA and SME market studies. The provisional decision on both PCAs and SMEs is now subject to a consultation period which runs until 17 September 2014. Following this period of consultation the CMA will make its final decision on a MIR in late autumn 2014. Should the CMA decide to proceed with a MIR this would result in a wide-ranging 18-24 month Phase 2 inquiry. At this stage it is not possible to estimate potential impacts on the Group.

SME banking market study

The OFT announced its market study on competition in banking for SMEs in England and Wales, Scotland and Northern Ireland on 19 June 2013. Following a consultation on the scope of the market study, the OFT published an update paper on 27 September 2013 setting out its proposed scope. On 11 March 2014, the OFT set out some competition concerns on SME banking and also announced that its successor body, the CMA, would continue the review. As discussed above, the CMA has provisionally decided to make a MIR for the SME market study in addition to the PCA study. As regards SMEs, the CMA is consulting on both the provisional decision and its provisional conclusion that it would be more appropriate to make a MIR than accept a set of undertakings in lieu put forward by RBS, Barclays, HSBC and Lloyds. The CMA is also consulting on whether a review is required of the previous undertakings given following the CC's investigation into SME banking in 2002 and has asked for comments on whether these undertakings need to be varied. At this stage it is not possible to estimate potential impacts on the Group.

FCA Wholesale Sector Competition Review

On 9 July 2014, the FCA launched a review of competition in the wholesale sector to identify any areas which may merit further investigation through an in-depth market study.

The initial review is an exploratory exercise and will focus primarily on competition in wholesale securities and investment markets, and related activities such as corporate banking. It will commence with a three month consultation exercise, including a call for inputs from stakeholders. Following this consultation period, the FCA intends to publish a feedback statement later in 2014 and any market study is expected to be launched in early 2015.

Credit default swaps (CDS) investigation

The Group is a party to the EC's antitrust investigation into the CDS information market. The Group has received and responded to a Statement of Objections from the EC and continues to co-operate fully with the EC's ongoing investigation.

US/Swiss tax programme

Coutts & Co Ltd, a member of the Group incorporated in Switzerland, notified the DOJ that it intended to participate in the Programme based on the possibility that some of its clients may not have declared their assets in compliance with US tax laws. The Programme required a detailed review of all US related accounts. The results of Coutts & Co Ltd's review were presented to the DOJ in June 2014. The DOJ extended, until 31 July 2014, the deadline for Programme participants to complete the collection of evidence of the tax status of their US related account holders. The DOJ has also extended, until 15 September 2014, the deadline to collect evidence of those US related account holders also participating in an offshore voluntary disclosure programme.

Review of suitability of advice provided by Coutts & Co

In 2013 the FCA conducted a thematic review of the advice processes across the UK wealth management industry. As a result of this review, Coutts & Co, a member of the Group incorporated in England and Wales, decided to undertake a past business review into the suitability of investment advice provided to its clients. This review is ongoing. Coutts & Co is in the process of contacting clients and redress will be offered in appropriate cases. A provision has been taken to cover any potential liability arising from this review.

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 3rd 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 3rd Supplementary Prospectus will prevail.

Save as disclosed in the Previous Supplementary Prospectuses and this 3rd Supplementary Prospectus or in any document incorporated by reference in the Prospectus by virtue of the Previous Supplementary Prospectuses or this 3rd 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 3rd 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 3rd Supplementary Prospectus or the Prospectus.