
LaunchPAD Programme

Supplementary Prospectus dated 24 February 2012

**THIRD SUPPLEMENT TO THE BASE PROSPECTUS IN RESPECT OF THE LAUNCHPAD
PROGRAMME FOR THE ISSUANCE OF CREDIT LINKED NOTES**



The Royal Bank of Scotland plc

*(incorporated in Scotland with limited liability under the Companies Acts 1948 to 1980,
registered number SC090312)
(the “Issuer”)*

The Royal Bank of Scotland plc

Credit Linked Notes

LaunchPAD Programme

(the “Programme”)

- 1 This supplement dated 24 February 2012 (this “**Supplement**”) constitutes the third supplement to the base prospectus dated 18 November 2011 in relation to the Issuer’s LaunchPAD Programme for the issuance of Credit Linked Notes approved by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, the “**AFM**”) on 18 November 2011 (the “**Base Prospectus**”).
- 2 The Base Prospectus was approved as a base prospectus pursuant to Directive 2003/71/EC (the “**Prospectus Directive**”) by the AFM. This Supplement constitutes a supplemental prospectus to the Base Prospectus for the purposes of Article 5:23 of the Financial Supervision Act (*Wet op het financieel toezicht*).
- 3 This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus and any other supplements thereto issued by the Issuer. Terms defined in the Base Prospectus have the same meaning when used in this Supplement.
- 4 In accordance with Article 5:23(6) of the Financial Supervision Act (*Wet op het financieel toezicht*), investors who have agreed to purchase or subscribe for securities issued under the Base Prospectus before this Supplement is published have the right, exercisable before the end of the period of two working days beginning with the working day after the date on which this Supplement was published, to withdraw their acceptances.

- 5 The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 6 On 23 February 2012, The Royal Bank of Scotland Group plc (“**RBSG**”) published via the Regulatory News Service of the London Stock Exchange plc (“**RNS**”) its unaudited annual results for the year ended 31 December 2011 (the “**2011 Annual Results of RBSG**”).
- 7 On 24 February 2012, the Issuer published via RNS, a registration document dated 24 February 2012 (the “**Registration Document**”).
- 8 By virtue of this Supplement, the following documents shall be deemed to be incorporated in, and form part, of the Base Prospectus:
 - 8.1 the 2011 Annual Results of RBSG; and
 - 8.2 the Registration Document.
- 9 The following amendments are made to the Base Prospectus as a result of the publication (and incorporation by reference into the Base Prospectus, by virtue of this Supplement) of the 2011 Annual Results of RBSG and the Registration Document:
 - 9.1 the sub-section headed “Issuer” under the section headed “Summary” shall be deleted in its entirety and replaced by the paragraphs set out in Schedule 1;
 - 9.2 the bullet risk factors under the heading “Risk Factors: Risks relating to the Issuer” in the section entitled “Summary” shall be deleted in their entirety and replaced with the paragraphs set out in Schedule 2;
 - 9.3 the section headed “Essential Characteristics of the Issuer” shall be deleted in its entirety and replaced by the paragraphs set out in Schedule 4.
 - 9.4 the following documents (or sections of documents, as the case may be) shall no longer be incorporated by reference:
 - 9.4.1 the announcement headed “The Royal Bank of Scotland Group plc, The Royal Bank of Scotland plc and National Westminster Bank Plc – Clarification of Contractual Position Relating to Payments Under Preference Shares and Subordinated Securities” published via RNS on 20 October 2009;
 - 9.4.2 following sections of the Shareholder Circular published by RBSG on 27 November 2009:
 - (i) “Financial Information” on page 5;
 - (ii) “Part I – Letter From the Chairman of RBS” on pages 10 to 20;
 - (iii) “Appendix 3 to the Letter From the Chairman of RBS – Principal Terms of Issue of the B Shares and the Dividend Access Share” on pages 76 to 84;
 - (iv) “Appendix 4 to the Letter From the Chairman of RBS – Key Terms of the State Aid Restructuring Plan” on pages 85 to 86;
 - (v) “Part VI – Definitions” on pages 121 to 133; and
 - (vi) “Annex 1 – Terms of Issue of the B Shares and the Dividend Access Share” on pages 134 to 170;

- 9.4.3 the financial information on page 51, pages 56 to 77, pages 106 to 118 and page 131 which is indicated as being “pro forma” in the 2010 annual report and accounts of RBSG, which were published by RBSG via RNS on 17 March 2011;
 - 9.4.4 the press release entitled “Proposed transfers of a substantial part of the business activities of RBS N.V. to RBS plc” (excluding (i) the statement therein which reads “Certain unaudited pro forma condensed consolidated financial information relating to RBS Holdings N.V. is set out in the Appendix to this announcement” and (ii) the Appendix thereto) which was published by RBSG via RNS on 19 April 2011;
 - 9.4.5 the press release entitled “Details of Part VII Scheme – Securities issued by, and guarantees granted by, RBS N.V.” published by RBSG on 22 July 2011;
 - 9.4.6 the registration document of the Issuer dated 5 August 2011, which was published via RNS on 5 August 2011;
 - 9.4.7 the unaudited Interim Results 2011 of RBSG for the six months ended 30 June 2011, which were published via RNS on 5 August 2011; and
 - 9.4.8 the unaudited “Interim Management Statement Q3 2011” of RBSG for the third quarter ended 30 September 2011, which was published via RNS on 4 November 2011;
 - 9.5 the sub-section entitled “Litigation – Other securitisation and securities related litigation in the United States” under the section entitled “General Information” shall be deleted in its entirety; and
 - 9.6 the sub-section entitled “No Significant Change and No Material Adverse Change” in the section entitled “General Information” shall be deleted in its entirety and replaced with the paragraphs set out in Schedule 3.
- 10** A copy of this Supplement, the Base Prospectus and all other supplements thereto and all documents incorporated by reference in the Base Prospectus are accessible on <http://markets.rbs.com/bparchive>, on the London Stock Exchange plc’s website at <http://www.londonstockexchange.com/news/market-news/rns/rns.htm> and can be obtained from the registered office of the Issuer at 36 St. Andrew Square, Edinburgh EH2 2YB, United Kingdom, telephone +33 131 523 3636.
- 11** To the extent that there is any inconsistency between (a) any statement in this Supplement and (b) any other statement in the Base Prospectus, the statements referred to in (a) above will prevail.
- 12** Save as disclosed in this Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus (as supplemented at the date hereof) has arisen or been noted since the publication of the Base Prospectus.

The Royal Bank of Scotland plc

Schedule 1

Issuer: The Royal Bank of Scotland plc (the “**Issuer**” or “**RBS**”)

The Issuer is a public limited company incorporated in Scotland. The Issuer (together with its subsidiaries, the “**Issuer Group**”) is a wholly owned subsidiary of The Royal Bank of Scotland Group plc (“**RBSG**” (RBSG together with its subsidiaries consolidated in accordance with International Financial Reporting Standards, the “**Group**”)). RBSG is the holding company of a large global banking and financial services group. Headquartered in Edinburgh, the Group operates in the United Kingdom, the United States and internationally through its principal subsidiaries, the Issuer and National Westminster Bank Plc (“**NatWest**”). Both the Issuer and NatWest are major United Kingdom clearing banks. In the United States, the Group’s subsidiary Citizens Financial Group, Inc. is a large commercial banking organisation. Globally, the Group has a diversified customer base and provides a wide range of products and services to personal, commercial and large corporate and institutional customers.

The Group had total assets of £1,507 billion and owners’ equity of £75 billion as at 31 December 2011. The Group’s capital ratios as at 31 December 2011 were a total capital ratio of 13.8 per cent., a Core Tier 1 capital ratio of 10.6 per cent. and a Tier 1 capital ratio of 13.0 per cent.

The Issuer Group had total assets of £1,299.7 billion and owners’ equity of £56.9 billion as at 30 June 2011. As at 30 June 2011, the Issuer Group’s capital ratios were a total capital ratio of 14.0 per cent., a Core Tier 1 capital ratio of 8.7 per cent. and a Tier 1 capital ratio of 10.6 per cent.

In 2007, RFS Holdings B.V., which was jointly owned by the Group, the Dutch State (successor to Fortis Bank Nederland (Holding) N.V.) and Banco Santander, S.A. (together, the “**Consortium Members**”), completed the acquisition of ABN AMRO Holding N.V.

On 6 February 2010, the businesses of ABN AMRO Holding N.V. acquired by the Dutch State were legally demerged to a newly established company, ABN AMRO Bank N.V. which on 1 April 2010 was transferred to ABN AMRO Group N.V., itself owned by the Dutch State.

Following legal separation, RBS Holdings N.V. (formerly ABN AMRO Holding N.V.) has one operating subsidiary, The Royal Bank of Scotland N.V. (“**RBS N.V.**”), a fully operational bank within the Group. RBS N.V. is independently rated and regulated by the Dutch Central Bank. Certain assets within RBS N.V. continue to be shared by the Consortium Members.

Schedule 2

- RBSG and its United Kingdom bank subsidiaries may face the risk of full nationalisation or other resolution procedures under the Banking Act 2009 which may result in various actions being taken in relation to any Securities.
- The Independent Commission on Banking has published its final report on competition and possible structural reforms in the UK banking industry. The UK Government has indicated that it supports and intends to implement the recommendations substantially as proposed, which could have a material adverse effect on the Group.
- The Group's businesses and performance can be negatively affected by actual or perceived global economic and financial market conditions and by other geopolitical risks.
- The Group is subject to a variety of risks as a result of implementing the state aid restructuring plan and is prohibited from making discretionary dividend or coupon payments on existing hybrid capital instruments (including preference shares and B shares) which may impair the Group's ability to raise new Tier 1 capital.
- The occurrence of a delay in the implementation of (or any failure to implement) the approved proposed transfers of a substantial part of the business activities of RBS N.V. to RBS may have a material adverse effect on the Group.
- The Group's ability to implement its strategic plan depends on the success of the Group's refocus on its core strengths and its balance sheet reduction programme.
- The Group's ability to meet its obligations including its funding commitments depends on the Group's ability to access sources of liquidity and funding.
- The financial performance of the Group has been, and continues to be, materially affected by deteriorations in borrower and counterparty credit quality further deteriorations could arise due to prevailing economic and market conditions and legal and regulatory developments.
- The Group's earnings and financial condition have been, and its future earnings and financial condition may continue to be, materially affected by depressed asset valuations resulting from poor market conditions.
- The value or effectiveness of any credit protection that the Group has purchased depends on the value of the underlying assets and the financial condition of the insurers and counterparties.
- Changes in interest rates, foreign exchange rates, credit spreads, bond, equity and commodity prices, basis, volatility and correlation risks and other market factors have significantly affected and will continue to affect the Group's business and results of operations.
- The Group's borrowing costs, its access to the debt capital markets and its liquidity depend significantly on its and the United Kingdom Government's credit ratings.
- The Group's business performance could be adversely affected if its capital is not managed effectively or as a

result of changes to capital adequacy and liquidity requirements.

- The value of certain financial instruments recorded at fair value is determined using financial models incorporating assumptions, judgements and estimates that may change over time or may ultimately not turn out to be accurate.
- The Group operates in markets that are highly competitive and its business and results of operations may be adversely affected.
- The Group could fail to attract or retain senior management, which may include members of the board, or other key employees, and it may suffer if it does not maintain good employee relations.
- Each of the Group's businesses is subject to substantial regulation and oversight. Significant regulatory developments, including changes in tax law, could have an adverse effect on how the Group conducts its business and on its results of operations and financial condition.
- The Group is and may be subject to litigation and regulatory investigations that may have a material impact on its business.
- The Group's results could be adversely affected in the event of goodwill impairment.
- The Group may be required to make further contributions to its pension schemes if the value of pension fund assets is not sufficient to cover potential obligations.
- Operational risks are inherent in the Group's businesses.
- HM Treasury (or UKFI on its behalf) may be able to exercise a significant degree of influence over the Group and any proposed offer or sale of its interests may affect the price of the Securities.
- The Group's operations have inherent reputational risk.
- In the United Kingdom and in other jurisdictions, the Group is responsible for contributing to compensation schemes in respect of banks and other authorised financial services firms that are unable to meet their obligations to customers.
- The recoverability and regulatory capital treatment of certain deferred tax assets recognised by the Group depends on the Group's ability to generate sufficient future taxable profits and there being no adverse changes to tax legislation, regulatory requirements or accounting standards.
- The Group's participation in the asset protection scheme is costly and may not produce the benefits expected and the occurrence of associated risks may have a material adverse impact on the Group's business, capital position, financial condition and results of operations.
- The extensive governance, asset management and information requirements under the scheme conditions may have an adverse impact on the Group and the expected benefits of the asset protection scheme.
- Any changes to the expected regulatory capital treatment of the asset protection scheme, the B shares or the contingent B shares may have a material adverse impact on the Group.

- RBS has entered into a credit derivative and a financial guarantee contract with RBS N.V. which may adversely affect the Issuer Group's results.
- If the Group is unable to issue the contingent B shares to HM Treasury, it may have a material adverse impact on the Group's capital position, liquidity, operating results and future prospects.

Schedule 3

No Significant Change and No Material Adverse Change

There has been no significant change in the financial position of the Issuer Group taken as a whole since 30 June 2011 (the end of the last financial period for which the latest interim financial information has been published).

Save in relation to (i) matters referred to on page 19 of the 2011 Annual Results of RBSG, relating to Payment Protection Insurance, in respect of which the Issuer Group has made provisions for therein; and (ii) the effect on revenues of Global Banking and Markets of the current subdued operating environment (see pages 49 to 52 of the 2011 Annual Results of RBSG), there has been no material adverse change in the prospects of the Issuer Group taken as a whole since 31 December 2010 (the last date to which the latest audited published financial information of the Issuer Group was prepared).

Schedule 4

ESSENTIAL CHARACTERISTICS OF THE ISSUER

The Issuer is a public limited company incorporated in Scotland. The Issuer (together with its subsidiaries, the "**Issuer Group**") is a wholly owned subsidiary of The Royal Bank of Scotland Group plc ("**RBSG**" (RBSG together with its subsidiaries, consolidated in accordance with International Financial Reporting Standards, the "**Group**")), RBSG is the holding company of a large global banking and financial services group. Headquartered in Edinburgh, the Group operates in the United Kingdom, the United States and internationally through its principal subsidiaries, the Issuer and National Westminster Bank Plc ("**NatWest**"). Both the Issuer and NatWest are major United Kingdom clearing banks. In the United States, the Group's subsidiary, Citizens Financial Group, Inc., is a large commercial banking organisation. Globally, the Group has a diversified customer base and provides a wide range of products and services to personal, commercial and large corporate and institutional customers.