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1 December 2010

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**SECOND SUPPLEMENT TO THE BASE PROSPECTUS IN RESPECT OF THE LAUNCHPAD PROGRAMME FOR THE ISSUANCE OF WARRANTS**



**THE ROYAL BANK OF SCOTLAND N.V.**

*(Registered at Amsterdam, The Netherlands)*  
(the **Issuer**)

**RBS LaunchPAD Programme**

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1. This Supplement dated 1 December 2010 (the **Supplement**) constitutes the second supplement to the base prospectus dated 9 September 2010 in relation to the Issuer's LaunchPAD Programme for the Issuance of Warrants (the **Base Prospectus**) approved by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, the **AFM**) on 9 September 2010, as supplemented on 23 November 2010.
2. The Base Prospectus was approved as a base prospectus pursuant to Directive 2003/71/EC 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.
4. The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (having 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.
5. On 1 December 2010, the Issuer and RBS Holdings N.V. published a supplement to their Registration Document, a copy of which supplement has been approved by and filed with the AFM (the **RD Supplement**). By virtue of the RD Supplement:
  - (a) the following risk factors were deemed to be deleted from the Registration Document:
    - (i) the risk factor headed "*The financial services industry is subject to extensive regulation, which is undergoing major changes*" on pages 7 and 8 of the Registration Document;

- (ii) the risk factor headed “*RBS Holdings N.V. Group’s business performance could be adversely affected if its capital is not managed effectively or if there are changes to capital adequacy and liquidity requirements*” on pages 10 and 11 of the Registration Document; and
  - (iii) the risk factor headed “*The legal demerger and legal separation process creates additional risks for RBS Holdings N.V. Group's business and stability*” on page 14 of the Registration Document; and
- (b) the risk factors set out in the Schedule to this Supplement were incorporated into, and form part of, the Registration Document.
- 6. By virtue of this Supplement, the RD Supplement is incorporated into and forms part of the Base Prospectus (along with the Registration Document as supplemented to the date hereof).
- 7. Copies of the Base Prospectus and all documents incorporated by reference in the Base Prospectus are accessible on <http://markets.rbs.com/bparchive> and can be obtained, on request, free of charge, by writing or telephoning, The Royal Bank of Scotland Group Investor Relations, 280 Bishopsgate, London EC2M 4RB, United Kingdom, telephone +44 207 672 1758, e-mail [investor.relations@rbs.com](mailto:investor.relations@rbs.com).
- 8. To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in or incorporated by reference in the Base Prospectus, the statements in (a) above will prevail.
- 9. Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus since the publication of the Base Prospectus.
- 10. 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 the 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.

**The Royal Bank of Scotland N.V.**

## SCHEDULE

Capitalised terms used in this Schedule but not defined herein shall have the meanings given to such terms in the Registration Document.

### **The actual or perceived failure or worsening credit of RBS Holdings N.V. Group's counterparties has adversely affected and could continue to adversely affect RBS Holdings N.V. Group**

RBS Holdings N.V. Group's ability to engage in routine funding transactions has been and will continue to be adversely affected by the actual or perceived failure or worsening credit of its counterparties, including other financial institutions and corporate borrowers. RBS Holdings N.V. Group has exposure to many different industries and counterparties and routinely executes transactions with counterparties in the financial industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds and other institutional clients. As a result, defaults by, or even the perceived creditworthiness of or concerns about, one or more corporate borrowers, financial services institutions, sovereign counterparties or the financial services industry generally, have led to market-wide liquidity problems, losses and defaults and could lead to further losses being incurred by RBS Holdings N.V. Group or by other institutions. Many of these transactions expose RBS Holdings N.V. Group to credit risk in the event of default of RBS Holdings N.V. Group's counterparty or client and RBS Holdings N.V. Group does have significant exposures to certain individual counterparties (including counterparties in certain weakened sectors and markets). In addition, RBS Holdings N.V. Group's credit risk is exacerbated when the collateral it holds cannot be realised or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure that is due to RBS Holdings N.V. Group, which is most likely to occur during periods of illiquidity and depressed asset valuations, such as those experienced in 2008 and 2009. Any such losses could have a material adverse effect on RBS Holdings N.V. Group's results of operations and financial condition or result in a loss of value in securities issued by RBS Holdings N.V. or RBS N.V.

### **RBS Holdings N.V. 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**

Effective management of RBS Holdings N.V. Group's capital is critical to its ability to operate its businesses, to grow organically and to pursue its strategy of returning to standalone strength. RBS Holdings N.V. Group is required by regulators in The Netherlands, the United Kingdom, the United States and in other jurisdictions in which it undertakes regulated activities, to maintain adequate capital resources. The maintenance of adequate capital is also necessary for RBS Holdings N.V. Group's financial flexibility in the face of continuing turbulence and uncertainty in the global economy.

On 17 December 2009, the Basel Committee on Banking Supervision (the "Basel Committee") proposed a number of fundamental reforms to the regulatory capital framework in its consultative document entitled "Strengthening the resilience of the banking sector". The Basel Committee published its economic impact assessment on 18 August 2010 and on 12 September 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee, announced further details of the proposed substantial strengthening of existing capital requirements. The Basel Committee's package of reforms includes increasing the minimum common equity requirement from 2% (before the application of regulatory adjustments) to 4.5% (after the application of stricter regulatory adjustments). The total Tier 1 capital requirement, which includes common equity and other qualifying financial instruments, will increase from 4% to 6%. In addition, banks will be required to maintain, in the form of common equity (after the application of deductions), a capital conservation buffer of 2.5% to withstand future periods of stress, bringing the total common equity requirements to 7%. If there is excess credit growth in any given country resulting in a system-wide build up of risk, a countercyclical buffer within a range of 0% to 2.5% of common equity (or other fully loss absorbing capital) is to be applied as an extension of the conservation buffer. The capital requirements are to be supplemented by a leverage ratio, and a liquidity coverage ratio and a net stable funding ratio will also be introduced. The Basel Committee has confirmed that work continues to ensure that systemically important banks have loss absorbing capacities beyond the above standards. The Basel Committee has stated that measures may include capital surcharges, contingent capital and bail-in debt.

Such measures would be in addition to proposals for the write-off of Tier 1 and Tier 2 debt (and its possible conversion into ordinary shares) if a bank becomes non-viable. The proposed reforms are expected to be implemented by the end of 2012, however the requirements are subject to a series of transitional arrangements and will be phased in over a period of time, to be fully effective by 2019.

These and other future changes to capital adequacy and liquidity requirements in the jurisdictions in which it operates, including the European Commission's public consultation on further possible changes to the Capital Requirements Directive launched in February 2010, may require RBS Holdings N.V. Group to raise additional Tier 1 (including Core Tier 1) and Tier 2 capital and could result in existing Tier 1 and Tier 2 securities issued by RBS Holdings N.V. Group ceasing to count towards RBS Holdings N.V. Group's regulatory capital, either at the same level as present or at all. If RBS Holdings N.V. Group is unable to raise the requisite Tier 1 and Tier 2 capital, it may be required to further reduce the amount of its risk-weighted assets and engage in the disposal of core and other non-core businesses, which may not occur on a timely basis or achieve prices which would otherwise be attractive to RBS Holdings N.V. Group.

Any change that limits RBS Holdings N.V. Group's ability to manage effectively its balance sheet and capital resources going forward (including, for example, reductions in profits and retained earnings as a result of write-downs or otherwise, increases in risk-weighted assets, delays in the disposal of certain assets or the inability to syndicate loans as a result of market conditions, a growth in unfunded pension exposures or otherwise) or to access funding sources, could have a material adverse impact on RBS Holdings N.V. Group's financial condition and regulatory capital position or result in a loss of value in securities issued by RBS Holdings N.V. or RBS N.V.

**Each of RBS Holdings N.V. Group's businesses is subject to substantial regulation and oversight. Any significant regulatory developments could have an effect on how RBS Holdings N.V. Group conducts its business and on its results of operations and financial condition**

RBS Holdings N.V. Group is subject to financial services laws, regulations, corporate governance requirements, administrative actions and policies in each location in which it operates. All of these are subject to change, particularly in the current market environment, where there have been unprecedented levels of government intervention, changes to the regulations governing financial institutions and reviews of the industry, including nationalisations in the United States, the United Kingdom and other European countries during 2008 and 2009. As a result of these and other ongoing and possible future changes in the financial services regulatory landscape (including any requirements imposed by virtue of RBS Holdings N.V. Group's participation in government or regulator-led initiatives), RBS Holdings N.V. Group expects to face greater regulation in The Netherlands, the United Kingdom, the United States and other countries in which it operates, including throughout the rest of Europe.

Although it is difficult to predict with certainty the effect that recent regulatory developments will have on RBS Holdings N.V. Group, the enactment of legislation and regulations may result in an increase in RBS Holdings N.V. Group's capital and liquidity requirements and costs and have an adverse impact on how RBS Holdings N.V. Group conducts its business, on the products and services it offers, on the value of its assets and on its results of operations and financial condition or result in a loss of value in securities issued by RBS Holdings N.V. and RBS N.V.

Other areas in which, and examples of where, governmental policies and regulatory changes could have an adverse impact include, but are not limited to:

- the monetary, interest rate, capital adequacy, liquidity, balance sheet leverage and other policies of central banks and regulatory authorities;
- general changes in government or regulatory policy or changes in regulatory regimes that may significantly influence investor decisions in particular markets in which RBS Holdings N.V. Group operates, increase the costs of doing business in those markets or result in a reduction in the credit ratings of members of RBS Holdings N.V. Group;

- changes in regulatory requirements relating to capital and liquidity or prudential rules relating to the capital adequacy framework;
- other general changes in the regulatory requirements, such as the imposition of onerous compliance obligations, restrictions on business growth or pricing, new levies or taxes or fees, requirements in relation to the structure and organisation of RBS Holdings N.V. Group and requirements to operate in a way that prioritises objectives other than shareholder value creation;
- a separation of retail banking from investment banking and restrictions on proprietary trading and similar activities within a commercial bank and/or a group which contains a commercial bank;
- employee remuneration;
- changes to financial reporting standards;
- changes in competition and pricing environments;
- further developments in financial reporting, corporate governance, corporate structure, conduct of business and employee compensation;
- differentiation among financial institutions by governments with respect to the extension of guarantees to bank customer deposits and the terms attaching to such guarantees;
- implementation of, or costs related to, local customer or depositor compensation or reimbursement schemes;
- transferability and convertibility of currency risk;
- expropriation, nationalisation and confiscation of assets;
- changes in legislation relating to foreign ownership; and
- other unfavourable political, military or diplomatic developments producing social instability or legal uncertainty which, in turn, may affect demand for RBS Holdings N.V. Group's products and services.

**The legal demerger and legal separation process and the implementation of the extensive restructuring of the businesses, operations and assets within RBS Holdings N.V. Group creates additional risks for the business and stability of RBS Holdings N.V. Group and the value of securities in issue by RBS Holdings N.V. and RBS N.V.**

RBS Holdings N.V. Group is going through a period of transition and change, which poses additional risks to RBS Holdings N.V. Group's business including (i) RBS Holdings N.V. Group's ability to manage the break up of the former ABN AMRO in a controlled manner while minimising the loss of business, (ii) RBS Holdings N.V. Group's ability to retain key personnel during the transition and (iii) enhanced operational and regulatory risks during this period. During this period of transition and change and as a result of the legal demerger and legal separation, RBS N.V. and the new ABN AMRO Bank will remain interdependent with respect to certain business areas, for which they will inter alia provide certain services to each other.

In addition, The Royal Bank of Scotland Group plc and its subsidiaries consolidated in accordance with International Financial Reporting Standards is in the course of implementing an extensive restructuring of its businesses, operations and assets, including those of its subsidiaries and subsidiary undertakings, and may, in the future, consider making further changes to its business, operations, structure and assets. Any future restructuring may impact issues of securities by RBS Holdings N.V. and RBS N.V. and may result in changes to their businesses, operations and assets. Although it is difficult to determine the impact that such changes may have (if any) on RBS Holdings N.V. or RBS N.V., these changes may have a material adverse impact on their business, financial condition, results of operations and prospects and RBS Holdings N.V.'s and RBS N.V.'s credit ratings, and may also negatively impact the value of their securities in issue.