

**SUPPLEMENTARY OFFERING MEMORANDUM DATED MAY 26, 2010**



**The Royal Bank of Scotland Group plc**

*(Incorporated in Scotland with limited liability under the Companies Acts 1948 to 1980, registered number SC045551)*

**as Issuer and Guarantor**

**The Royal Bank of Scotland plc**

*(Incorporated in Scotland with limited liability under the Companies Acts 1948 to 1980, registered number SC090312)*

**as Issuer**

**U.S.\$35,000,000,000 Medium-Term Note Program  
Due Six Months or More From Date of Issue**

This Supplement (the "**Supplement**") to the Offering Memorandum (the "**Offering Memorandum**") dated June 16, 2009, which comprises, except as set out therein in relation to HM Treasury Guaranteed Notes (as defined in the Offering Memorandum), a base prospectus, constitutes a supplementary prospectus for the purposes of Section 87G of the Financial Services and Markets Act 2000 (the "**FSMA**") and is prepared in connection with the U.S.\$35,000,000,000 Medium-Term Note Program (the "**Program**") established by The Royal Bank of Scotland Group plc ("**RBSG**" or the "**Guarantor**") and The Royal Bank of Scotland plc ("**RBS**") (each, an "**Issuer**" and together, the "**Issuers**"). Terms defined in the Offering Memorandum have the same meaning when used in this Supplement.

This Supplement is supplemental to, and should be read in conjunction with, the Offering Memorandum and the documents incorporated by reference therein. This Supplement should also be read and construed in conjunction with the supplementary prospectuses dated April 6, 2010, April 16, 2010 and May 11, 2010 which have been previously published and have been approved by the Financial Services Authority (the "**FSA**") and filed with it and which form part of the Offering Memorandum.

Each of the Issuers and the Guarantor accepts responsibility for the information contained in this Supplement. To the best of the knowledge of each of the Issuers and the Guarantor (each 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.

*RBSG's First Quarter 2010 Results*

RBSG's First Quarter 2010 Results were filed on Form 6-K with the United States Securities and Exchange Commission on May 14, 2010 (the "**RBSG Q1 Results**"), pursuant to the United States Securities Exchange Act of 1934, as amended. A copy of the RBSG Q1 Results has been filed with the FSA and by virtue of this Supplement, the RBSG Q1 Results are incorporated in, and form part of, the Offering Memorandum (other than for the purposes of HM Treasury Guaranteed Notes).

## *Risk Factors*

The risk factor headed “*Each of the Group’s businesses is subject to substantial regulation and oversight. Any significant regulatory developments could have an effect on how the Group conducts its business and on its results of operations and financial condition*” on pages 21 and 22 of the registration document of RBSG dated March 10, 2010 which is incorporated by reference into the Offering Memorandum pursuant to the supplementary prospectus dated April 6, 2010, shall, by virtue of this Supplement, be deleted and replaced with the following risk factor:

**“Each of the Group’s businesses is subject to substantial regulation and oversight. Any significant regulatory developments could have an effect on how the Group conducts its business and on its results of operations and financial condition**

The 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 and changes to the regulations governing financial institutions, including recent nationalisations in the United States, the United Kingdom and other European countries. As a result of these and other ongoing and possible future changes in the financial services regulatory landscape (including requirements imposed by virtue of the Group’s participation in government or regulator-led initiatives), the Group expects to face greater regulation in the United Kingdom, the United States and other countries in which it operates, including throughout the rest of Europe. Compliance with such regulations may increase the Group’s capital requirements and costs and have an adverse impact on how the 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 the Securities.

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

- the introduction of a banking levy;
- employee remuneration;
- government-imposed requirements with respect to lending to the United Kingdom SME market;
- 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;
- 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 the Group operates, increase the costs of doing business in those markets or result in a reduction in the credit ratings of RBSG or one of its subsidiaries;
- changes to financial reporting standards;
- changes in regulatory requirements relating to capital and liquidity, such as limitations on the use of deferred tax assets in calculating Core Tier 1 and/or Tier 1 capital, 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 fees, requirements in relation to the structure and organisation of the Group and requirements to operate in a way that prioritises objectives other than shareholder value creation;
- 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, including requirements for the entire Group to accept exposure to the risk of any individual member of the Group, or even third party participants in guarantee schemes, failing;
- 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 the Group's products and services."

The risk factor headed "*Each of the Group's businesses is subject to substantial regulation and oversight. Any significant regulatory developments could have an effect on how the Issuer Group conducts its business and on its results of operations and financial condition*" on pages 22 and 23 of the registration document of RBS dated March 10, 2010 which is incorporated by reference into the Offering Memorandum pursuant to the supplementary prospectus dated April 6, 2010, shall, by virtue of this Supplement, be deleted and replaced with the following risk factor:

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

The 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 and changes to the regulations governing financial institutions, including recent nationalisations in the United States, the United Kingdom and other European countries. As a result of these and other ongoing and possible future changes in the financial services regulatory landscape (including requirements imposed by virtue of the Group's participation in government or regulator-led initiatives), the Group expects to face greater regulation in the United Kingdom, the United States and other countries in which it operates, including throughout the rest of Europe. Compliance with such regulations may increase the Issuer Group's capital requirements and costs and have an adverse impact on how the Issuer 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 the Securities.

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

- the introduction of a banking levy;
- employee remuneration;
- government-imposed requirements with respect to lending to the United Kingdom SME market;
- 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;
- 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 the Issuer Group operates, increase the costs of doing business in those markets or result in a reduction in the credit ratings of RBSG or one of its subsidiaries;
- changes to financial reporting standards;
- changes in regulatory requirements relating to capital and liquidity, such as limitations on the use of deferred tax assets in calculating Core Tier 1 and/or Tier 1 capital, 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 fees, requirements in relation to the structure and organisation of the Group and requirements to operate in a way that prioritises objectives other than shareholder value creation;
- 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, including requirements for the entire Group to accept exposure to the risk of any individual member of the Group, or even third party participants in guarantee schemes, failing;
- 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 the Issuer Group's products and services."

*Definition of "Disclosure relating to the Issuers and the Guarantor" on page 5 of the Offering Memorandum*

Page 5 of the Offering Memorandum contains a definition of "Disclosure relating to the Issuers and the Guarantor". As set out therein, the Disclosure relating to the Issuers and the Guarantor is not incorporated by reference into the Offering Memorandum for the purposes of issues of HM Treasury Guaranteed Notes. By virtue of this Supplement, all the information incorporated by reference into the Offering Memorandum by virtue of this Supplement shall be deemed to be included within the definition of "Disclosure relating to the Issuers and the Guarantor".

A copy of any or all of the information which is incorporated by reference in the Offering Memorandum can be obtained from the website of RBSG at [www.rbs.com](http://www.rbs.com).

If the documents which are incorporated by reference in the Offering Memorandum by virtue of this Supplement themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of the Offering Memorandum for the purposes of the Prospectus Directive except where such information or other documents are specifically incorporated by reference in, or attached to, the Offering Memorandum by virtue of this Supplement.

To the extent that there is any inconsistency between any statement in or incorporated by reference in the Offering Memorandum by virtue of this Supplement and any other statement in or incorporated by reference in the Offering Memorandum, the statements in or incorporated by reference in the Offering Memorandum by virtue of this Supplement will prevail.

Save as disclosed in this Supplement or in any document incorporated by reference in the Offering Memorandum by virtue of this Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Offering Memorandum has arisen or been noted, as the case may be, since the publication of the Offering Memorandum.

Investors should be aware of their rights under Section 87Q(4) of the FSMA.