

**SUPPLEMENT DATED 9 AUGUST 2013 TO THE PROGRAMME DOCUMENT DATED 20 MARCH 2013 RELATING TO THE STRUCTURED NOTE PROGRAMME**



**The Royal Bank of Scotland plc**

*(incorporated under the laws of Scotland with limited liability under the Companies Act 1948 to 1980, with registered number SC090312)*

This supplement (this "**Supplement**") to the Programme Document dated 20 March 2013 (the "**Programme Document**") comprises a supplementary listing particulars for the purposes of the Listing Rules of the Global Exchange Market and has been approved by the Irish Stock Exchange (the "**ISE**"). Terms defined in the Programme Document have the same meanings when used in this Supplement.

This Supplement is supplemental to, and should be read in conjunction with, the Programme Document, issued by the Royal Bank of Scotland plc (the "**Issuer**" and "**RBS**").

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.

**Purpose of this Supplement**

The purpose of the Supplement is to:

- (a) incorporate by reference into the Programme Document (i) the unaudited Interim Results 2013 of The Royal Bank of Scotland Group plc ("**RBSG**") for the six months ended 30 June 2013, which were published via the Regulatory News Service of the London Stock Exchange plc (the "**RNS**") on 2 August 2013 (the "**RBSG Interim Results 2013**"); and (ii) the 2 August RNS (as defined below); and
- (b) update (i) risks relating to the Group and the Issuer Group; and (ii) certain information relating to litigation and investigations.

**Incorporation of Information by Reference**

By virtue of this Supplement, the RBSG Interim Results 2013 which have been (1) previously published and (2) filed with the ISE, shall be incorporated in, and form part of, the Programme Document.

By virtue of this Supplement, the press release entitled "Ross McEwan appointed as RBS Group Chief Executive" (the "**2 August RNS**"), which was published via the RNS on 2 August 2013 and which has been (1) previously published and (2) filed with the ISE, shall be incorporated in, and form part of, the Programme Document.

## **Risk Factors**

The group is subject to the following new risk factor:

**Options to accelerate the potential divestment by HM Treasury of its stake in the Group, including separation of the Group into “good” and “bad” banks, are currently under review and uncertainty remains as to the Group’s future structure and organisation**

In June 2013, responding to a recommendation by the UK Parliamentary Commission on Standards in Banking, the Chancellor of the Exchequer announced that the Government would be reviewing the case for splitting the Group into a ‘good bank’ and a ‘bad bank’. This review is being conducted by HM Treasury with external professional support and will look at a broad range of the Group’s assets. HM Treasury’s advisors are expected to report by the end of September and a decision on the creation of a ‘bad bank’ is expected in the autumn of 2013. The outcome of the review is far from certain and if a ‘good bank/bad bank’ strategy were to be adopted, then depending on the nature and scope of the exercise, several hurdles might have to be met before such a separation could take place. These may or may not include the need for shareholder approval and further consultation with the European Commission. Any such restructuring would be complex and lengthy and require significant management time and resources. Until the outcome of the review is known, the Group’s future structure and organisation remains uncertain. Such uncertainty could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

The risk factor entitled, “The Group’s borrowing costs, its access to the debt capital markets and its liquidity depend significantly on its and the UK Government’s credit ratings” is also revised to reflect that at 30 June 2013, a simultaneous one notch long-term and associated short term downgrade in the credit ratings of RBSG and RBS by the three main ratings agencies would have required the Group to post estimated additional collateral of £13 billion, without taking account of mitigating action by management.

## **Litigation and Investigations**

Save as set out (i) in the sections entitled “Litigation” and “Investigations and reviews” on pages 31 to 41 of the Registration Document; and (ii) below, 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 Supplement, 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*

Between March and July 2013, similar claims were issued in the High Court of Justice of England and Wales by sets of current and former shareholders, against the Group (and in one of those claims, also against certain former individual officers and directors). On 30 July 2013 these and other similar threatened claims were consolidated by the Court via a Group Litigation Order. The Group considers that it has substantial and credible legal and factual defences to these and other prospective claims that have been threatened in the United Kingdom and the Netherlands.

#### *Credit Default Swap Antitrust Litigation*

In May and July 2013, certain members of the Group, as well as a number of other banks, were named as defendants in four antitrust class actions filed in the U.S. District Court for the Northern

District of Illinois. The complaints generally allege that defendants violated the U.S. antitrust laws by restraining competition in the market for credit default swaps through various means and thereby causing inflated bid-ask spreads for credit default swaps. The Group considers that it has substantial and credible legal and factual defences to these claims and will defend them vigorously.

## **Investigations and reviews**

### *LIBOR and other trading rates*

On 12 April 2013, RBS Securities Japan Limited received a business improvement order from Japan's Financial Services Agency requiring RBS to take remedial steps to address certain matters, including inappropriate conduct in relation to Yen LIBOR. RBS Securities Japan Limited is taking steps to address the issues raised in compliance with that order. On 14 June 2013, RBS was listed amongst the 20 banks found by the Monetary Authority of Singapore ("**MAS**") to have deficiencies in the governance, risk management, internal controls and surveillance systems relating to benchmark submissions following a finding by MAS that certain traders made inappropriate attempts to influence benchmarks in the period 2007 – 2011. RBS has been ordered to set aside additional statutory reserves with MAS of SGD1-1.2 billion and to formulate a remediation plan.

### *Technology incident*

On 9 April 2013 the Financial Conduct Authority ("**FCA**") announced that it had commenced an enforcement investigation into the incident. The FCA will reach its conclusions in due course and will decide whether or not it wishes to initiate enforcement action following that investigation. The Group is co-operating fully with the FCA's investigation.

### *Interest rate hedging products*

In June 2012, following an industry wide review, the Financial Services Authority ("**FSA**") announced that the Group and other UK banks had agreed to a redress exercise and past business review in relation to the sale of interest rate hedging products to some small and medium sized businesses who were classified as retail clients or private customers under FSA rules. The Group has agreed to a similar exercise and past business review in relation to the sale of interest rate hedging products in the Republic of Ireland to retail designated small and medium sized businesses.

### *Multilateral interchange fees*

The EC has proposed a draft regulation on interchange fees for card payments. The draft regulation is subject to a consultation process, prior to being finalised and enacted. It is currently expected that the regulation will be enacted by the end of 2014/early 2015. The draft regulation proposes the capping of both cross-border and domestic MIF rates for debit and credit consumer cards, to take place in two phases. The draft regulation also sets out other proposals for reform including to the Honour All Cards Rule so merchants will be required to accept all cards with the same level of MIF but not cards with different MIF levels.

### *Credit default swaps (CDS) investigation*

The Group is a party to the EC's antitrust investigation into the CDS information market. The Group is co-operating fully with the EC's investigation and in July 2013 received a Statement of Objections from the EC. The EC has raised concerns that a number of banks, Markit and ISDA may have jointly prevented exchanges from entering the CDS market. At this stage, the Group

cannot estimate reliably what effect the outcome of the investigation may have on the Group, which may be material.

#### *Securitisation and collateralised debt obligation business*

On 28 March 2013, SEC staff informed the Group that it is considering recommending that the SEC initiate a civil or administrative action against RBS Securities Inc. This "Wells" notice arises out of the inquiry that the SEC staff began in September 2010, when it requested voluntary production of information concerning residential mortgage-backed securities underwritten by subsidiaries of RBS during the period from September 2006 to July 2007 inclusive. In November 2010, the SEC commenced a formal investigation. The potential claims relate to due diligence conducted in connection with a 2007 offering of residential mortgage-backed securities and corresponding disclosures. Pursuant to SEC rules, the Group has submitted a response to the Wells notice.

#### *RBS Citizens consent orders*

The activities of RBS Citizens' two US bank subsidiaries - RBS Citizens, N.A. and Citizens Bank of Pennsylvania - are subject to extensive US laws and regulations concerning unfair or deceptive acts or practices in connection with customer products. Certain of the bank subsidiaries' practices with respect to overdraft protection and other consumer products have not met applicable standards. The bank subsidiaries have implemented and are continuing to implement changes to bring their practices in conformity with applicable laws and regulations. In April 2013, the bank subsidiaries consented to the issuance of orders by their respective primary federal banking regulators, the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC) (the "**Consent Orders**"). In the Consent Orders (which are publicly available and will remain in effect until terminated by the regulators), the bank subsidiaries neither admitted nor denied the regulators' findings that they had engaged in deceptive marketing and implementation of the bank's overdraft protection program, checking rewards programs, and stop-payment process for pre-authorised recurring electronic fund transfers. The Consent Orders require the bank subsidiaries to pay a total of US\$10 million in civil monetary penalties, to develop plans to provide restitution to affected customers (the amount of which is anticipated to be approximately US\$4 million), to cease and desist any operations in violation of Section 5 of the Federal Trade Commission Act, and to submit to the regulators periodic written progress reports regarding compliance with the Consent Orders. In addition, RBS Citizens, N.A. agreed to take certain remedial actions to improve its compliance risk management systems and to create a comprehensive action plan designed to achieve compliance with the Consent Order. Restitution plans have been prepared and submitted for approval, and RBS Citizens, N.A. has submitted for approval and is in the process of implementing its action plan for compliance with the Consent Order, as well as updated policies, procedures, and programs related to its compliance risk management systems.

#### *Other investigations*

On 24 July 2013, the FCA published its Final Notice in relation to its investigation into transaction reporting. The Royal Bank of Scotland plc and The Royal Bank of Scotland N.V. co-operated with the FCA throughout the investigation. The Royal Bank of Scotland plc and The Royal Bank of Scotland N.V. were fined £5.6 million (after discount) and were found to have failed to comply with their transaction reporting obligations to the FSA over a number of years. The FCA has acknowledged that the breaches were not deliberate and that the Group did not profit from the breaches.

A copy of any or all of the information which is incorporated by reference in the Programme Document can be obtained from the website of the Issuer at [http://www.investors.rbs.com/company announcements](http://www.investors.rbs.com/company_announcements).

Save as disclosed in this Supplement, there has been: (1) no significant change affecting any matter contained in the Programme Document (as supplemented at the date hereof) since the publication of the Programme Document; or (2) no significant new matter which has arisen, the inclusion of information in respect of which would have been so required had it arisen at the time the Programme Document was prepared.

The hyperlinks included in this Supplement or any documents incorporated by reference in this Supplement are included for information purposes only and the websites and their content are not incorporated into, and do not form part of, this Supplement or the Programme Document.