

ROYAL BANK OF SCOTLAND PLC

Form 424B5

September 28, 2012

PRODUCT PROSPECTUS
SUPPLEMENT

Product Prospectus Supplement No. RA-2
to

(To Prospectus Dated September 28, 2012) Registration Statement Nos. 333-184147
and 333-184147-01

Dated September 28, 2012

Rule 424(b)(5)

The Royal Bank of Scotland plc

RBS NotesSM

fully and unconditionally guaranteed by

The Royal Bank of Scotland Group plc

Range Accrual Notes

- Range Accrual Notes (which we refer to, together with the related guarantees, as the “securities”) are unsecured and unsubordinated obligations of The Royal Bank of Scotland plc, and are fully and unconditionally guaranteed by The Royal Bank of Scotland Group plc. Each payment of interest and the repayment of principal on the securities at maturity are subject to the ability of The Royal Bank of Scotland plc, as issuer of the securities, and The Royal Bank of Scotland Group plc, as the guarantor of the issuer’s obligations under the securities, to pay their respective obligations as they become due.
- This product prospectus supplement (which we refer to as the “product supplement”) describes the general terms of the securities and the general manner in which they may be offered and sold. For each offering of the securities, we will provide you with a term sheet or pricing supplement (which we refer to as a “pricing supplement”) that will describe the specific terms of that offering. The pricing supplement will identify any additions or changes to the terms specified in this product supplement.
- The pricing supplement will also identify the underlying market measure or market measures to which the interest payments on the securities are linked, each of which we refer to as the “Market Measure.” Unless otherwise set forth in the applicable pricing supplement, the Market Measure will be one or more of (i) a floating interest rate or a statistical measure of economic or financial performance (a “Reference Rate”), (ii) an equity index (an “Index”), and/or (iii) a mathematical function of two Reference Rates or of two Indices.
- At maturity, unless otherwise set forth in the applicable pricing supplement, you will receive, for each security, a cash payment per security (the “Payment at Maturity”) equal to 100% of the principal amount, plus any accrued and unpaid interest.
- Interest payable on the securities, if any, will accrue at a fixed or floating rate set forth in the applicable pricing supplement. Interest may be payable annually, semi-annually, quarterly, monthly, or at such other intervals as are set forth in the applicable pricing supplement. Descriptions of such fixed and floating rates, including how such rates are determined and calculated, are provided herein. The amount of interest payable in respect of each interest determination period will depend on the number of days during the applicable interest determination period that the level of the Market Measure is within a specified range (the “Reference Range”), as described in more detail below. If the Market Measure is not within the Reference Range on a day during the applicable interest determination period, interest will not accrue on that day. If specified in the applicable pricing supplement, your securities may be “Dual Range Accrual Notes,” which reference two Market Measures. If your securities are Dual Range Accrual Notes, the level of each Market Measure must be within its respective applicable Reference Range for interest to accrue on that day. Except where otherwise specifically provided in this product supplement, all references in this product supplement to “Range Accrual Notes” or “securities” shall be deemed to include a reference to Dual Range Accrual

Notes.

- If specified in the applicable pricing supplement, your securities may be “Capped Range Accrual Notes” or “Capped Dual Range Accrual Notes,” in which case the interest rate payable on the securities during any interest determination period will not exceed a specified percentage. Except where otherwise specifically provided in this product supplement, all references in this product supplement to “Range Accrual Notes” shall also be deemed to include a reference to “Capped Range Accrual Notes”, and all references to “Dual Range Accrual Notes” shall also be deemed to include a reference to “Capped Dual Range Accrual Notes.” Furthermore, if specified in the applicable pricing supplement, your securities may be subject to a minimum interest rate, in which case the interest rate accruing on the securities during any interest determination period will not be less than a specified percentage, regardless of the performance of the applicable Market Measure.
- The applicable pricing supplement also may provide that the securities will accrue an “Out of Range Coupon” on the days on which the Market Measure or Market Measures are not within the applicable Reference Range. Unless otherwise specifically set forth in the applicable pricing supplement, no Out of Range Coupon will be payable on the securities.
- If provided for in the applicable pricing supplement, at our option, we may redeem the securities, in whole or in part, prior to their maturity date. The applicable pricing supplement will specify the relevant “Early Redemption Dates.” Unless the applicable pricing supplement provides otherwise, upon an early redemption, you will be entitled to receive a “Redemption Price” equal to the principal amount of the securities redeemed, plus any accrued and unpaid interest.
- Each security will have an initial public offering price as set forth in the applicable pricing supplement (the “Original Offering Price”). The securities will be issued in denominations of the Original Offering Price or in integral multiples thereof. The pricing supplement may also set forth a minimum number of securities that you must purchase.
- Unless provided for in the applicable pricing supplement, the securities will not be listed on any securities exchange or quotation system.

The securities involve risks not associated with an investment in conventional debt securities. See “Risk Factors” beginning on S-12. The securities are not bank deposits and are not insured or guaranteed by the Federal Deposit Insurance Corporation, the Deposit Insurance Fund or any other government agency.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this product supplement or prospectus or any applicable pricing supplement are truthful or complete. Any representation to the contrary is a criminal offense.

RBS Securities Inc.

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ABOUT THIS PRODUCT SUPPLEMENT

As used in this product supplement, “RBS plc,” “we,” “us,” “our” and the “Bank” refer to The Royal Bank of Scotland plc, “RBSG” refers to The Royal Bank of Scotland Group plc, “Group” means The Royal Bank of Scotland Group plc together with its subsidiaries consolidated in accordance with International Financial Reporting Standards, “RBSSI” refers to RBS Securities Inc., and references to “dollars” and “\$” are to United States dollars.

The securities are our unsecured and unsubordinated obligations issued as part of our RBS NotesSM program and guaranteed by RBSG. RBS NotesSM is a service mark of The Royal Bank of Scotland N.V., one of our affiliates.

This product supplement, together with the applicable pricing supplement, set forth certain terms of the securities and supplements the prospectus dated September 28, 2012 relating to our debt securities of which the securities are part. This product supplement is a "prospectus supplement" referred to in the prospectus. You may access the prospectus on the Securities and Exchange Commission (“SEC”) website at www.sec.gov as follows (or if such address has changed, by reviewing our filings for the relevant date on the SEC website):

- Prospectus dated September 28, 2012:
http://www.sec.gov/Archives/edgar/data/729153/000095010312005038/dp33197_424b2.htm

Our Central Index Key, or CIK, on the SEC website is 729153.

This product supplement, together with the applicable pricing supplement and the prospectus described above, contains the terms of the securities and supersedes all other prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, fact sheets, correspondence, trade ideas, structures for implementation, sample structures, brochures or other educational materials of ours. You should carefully consider, among other things, the matters set forth in “Risk Factors” in this product supplement, as the securities involve risks not associated with conventional debt securities. You should consult your investment, legal, tax, accounting and other advisers before deciding to invest in the securities.

It is important for you to read and consider all information contained in the applicable pricing supplement, this product supplement and the accompanying prospectus in making your investment decision. You should also read and consider the information contained in the documents identified in “Where You Can Find More Information” in the accompanying prospectus.

We have not authorized anyone to provide information other than that which is contained in this product supplement, the applicable pricing supplement and the accompanying prospectus with respect to the securities. We take no responsibility for, and can provide no assurance as to the reliability of, any information that others may give you. This document may only be used where it is legal to sell these securities. We are offering to sell these securities and seeking offers to buy these securities only in jurisdictions where offers and sales are permitted. Neither the delivery of this product supplement or the accompanying prospectus, nor any sale made hereunder and thereunder will, under any circumstances, create any implication that there has been no change in the affairs of RBS plc or RBSG since the date of the product supplement or that the information contained or incorporated by reference in the accompanying prospectus is correct as of any time subsequent to the date of such information.

The information set forth in this product supplement is directed to prospective purchasers who are United States residents. We disclaim any responsibility to advise prospective purchasers who are residents of countries other than the United States of any matters arising under foreign law that may affect the purchase of or holding of, or receipt of

payments on, the securities. These persons should consult their own legal and financial advisers concerning these matters.

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WHERE YOU CAN FIND ADDITIONAL INFORMATION

RBSG is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and in accordance therewith, RBSG files reports and other information with the SEC. You may read and copy these documents at the SEC’s Public Reference Room, 100 F Street, N.E., Washington, D.C. 20549. You can call the SEC at 1-800-SEC-0330 for further information about the Public Reference Room. The SEC’s website, at <http://www.sec.gov>, contains reports and other information in electronic form that RBSG has filed. You may also request a copy of any filings referred to below (other than exhibits not specifically incorporated by reference) at no cost, by contacting us at The Royal Bank of Scotland plc, RBS Gogarburn, P.O. Box 1000, Edinburgh EH12 1HQ, Scotland, telephone +44 131 626 0000.

The SEC allows us to incorporate by reference much of the information RBSG files with it. This means:

- incorporated documents are considered part of this product supplement;
- we can disclose important information to you by referring you to those incorporated documents; and
- information that RBSG files with the SEC will automatically update and modify or supersede some of the information included or incorporated by reference into this product supplement

This means that you must look at all of the SEC filings that we incorporate by reference to determine if any of the statements in this product supplement or in any document previously incorporated by reference have been modified or superseded. The accompanying prospectus lists documents that are incorporated by reference into this product supplement. Reports on Form 6-K we may furnish to the SEC after the date of this product supplement (or portions thereof) are incorporated by reference in this product supplement only to the extent that the report expressly states that it (or such portions) is incorporated by reference into the registration statement of which this product supplement is a part.

SUMMARY

This product supplement relates only to the securities and does not relate to any underlying asset that relates to a Market Measure described in any pricing supplement. This summary includes questions and answers that highlight selected information from the prospectus and this product supplement to help you understand the securities. You should read carefully the entire prospectus and product supplement, together with the applicable pricing supplement, to understand fully the terms of your securities, as well as the tax and other considerations important to you in making a decision about whether to invest in any of the securities. In particular, you should review carefully the section in this product supplement entitled “Risk Factors,” which highlights a number of risks of an investment in the securities, to determine whether an investment in the securities is appropriate for you. If information in this product supplement is inconsistent with the prospectus, this product supplement will supersede the prospectus. However, if information in any pricing supplement is inconsistent with this product supplement, that pricing supplement will supersede this product supplement.

Certain capitalized terms used and not defined in this product supplement have the meanings ascribed to them in the prospectus.

You are urged to consult with your own attorneys and business and tax advisers before making a decision to purchase any of the securities.

The information in this “Summary” section is qualified in its entirety by the more detailed explanation set forth elsewhere in this product supplement and in the prospectus, as well as the applicable pricing supplement. You should rely only on the information contained in those documents. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither we nor any selling agent is making an offer to sell the securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information in this product supplement and prospectus, together with the pricing supplement, is accurate only as of the date on their respective front covers.

What are the securities?

The securities are senior unsecured obligations issued by us, The Royal Bank of Scotland plc (“RBS plc”), and are fully and unconditionally guaranteed by our parent company, The Royal Bank of Scotland Group plc (“RBSG”). The securities will rank equally with all of our other unsecured senior indebtedness from time to time outstanding, and any payments due on the securities, including each interest payment and any repayment of your principal, will be subject to our credit risk as issuer of the securities, and to the credit risk of RBSG, as guarantor of our obligations under the securities. Each series of the securities will mature on the date set forth in the applicable pricing supplement. The securities are not repayable at the option of any holder prior to their maturity date nor are they redeemable at our option except as described under “Description of the Securities—Optional Tax Redemption”, or if otherwise specified in the applicable pricing supplement and pursuant to the terms specified below in “Description of the Securities—Early Redemption at Our Option.”

The securities are designed for investors who wish to receive periodic income and who anticipate that the levels of the Market Measure or Market Measures, as the case may be, will be within the range or ranges specified in the applicable pricing supplement (each, a “Reference Range”) over most or the entire term of the securities. Investors must be willing to accept that, for each interest determination period, interest will only accrue on the days during that interest determination period on which the levels of the Market Measure or Market Measures, as the case may be, are within the applicable Reference Range. Investors must also be willing to accept that the interest rate applicable to any interest determination period may be capped at a rate specified in the applicable pricing supplement. Unlike

conventional debt securities that pay fixed or floating interest rates, the amount of interest payable on the

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securities, if any, will depend on the performance of one or more Market Measures. As a result, you may receive little or no interest payment for one or more interest determination periods over the term of the securities. The securities will be denominated in U.S. dollars and will be payable only in U.S. dollars.

Each payment of interest and the repayment of principal on the securities at maturity are subject to the creditworthiness (i.e., the ability to pay) of RBS plc, as the issuer of the securities, and RBSG, as the guarantor of the issuer's obligations under the securities.

What are the Market Measures to which the securities may be linked?

Unless otherwise set forth in the applicable pricing supplement, the Market Measure to which the securities will be linked will be one or more of (i) a floating interest rate or a statistical measure of economic or financial performance (a "Reference Rate"), (ii) an equity index (an "Index"), or (iii) a mathematical function of two Reference Rates or two Indices. Dual Range Accrual Notes will be linked to two Market Measures, which will be specified in the applicable pricing supplement. If so specified in the applicable pricing supplement, the Reference Rate for your securities may be a base rate, which is described further below under "Description of the Securities—Base Rates."

The applicable pricing supplement will set forth information as to the specific Market Measure or Market Measures to which your securities are linked, including information as to the historical levels of the Market Measure or Market Measures. However, historical levels of the Market Measures are not indicative of their future levels or the interest rate payable on the securities.

What will you receive at maturity?

At maturity, subject to our credit risk as issuer of the securities, and the credit risk of RBSG, as the guarantor of our obligations under the securities, and unless the applicable pricing supplement provides otherwise, you will be entitled to your principal amount and any accrued and unpaid interest on the securities, denominated in U.S. dollars.

How will the interest rate for the securities be calculated?

Range Accrual Notes

Unless otherwise set forth in the applicable pricing supplement, for each interest determination period, interest on the securities will accrue at the applicable rate of interest (which may be a fixed rate or a floating rate) specified in the applicable pricing supplement times a fraction:

- the numerator of which is the total number of calendar days or Market Measure Business Days (as defined below), as specified in the applicable pricing supplement, in such interest determination period on which the level of the Market Measure is within the Reference Range; and
- the denominator of which is the total number of calendar days or Market Measure Business Days, as applicable, in such interest determination period.

Interest on the securities may be payable annually, semi-annually, quarterly, monthly, or at such other intervals as are set forth in the applicable pricing supplement. Unless otherwise set forth in the applicable pricing supplement, interest will be calculated on the basis of a 360-day year of twelve 30-day months.

Unless otherwise set forth in the applicable pricing supplement, for each interest determination period, interest on the securities will accrue at a rate per annum calculated by reference to the following formula:

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Where:

- “R” is the rate of interest per annum specified in the applicable pricing supplement for that interest determination period. Unless otherwise set forth in the applicable pricing supplement, “R” will be a fixed or floating interest rate. “R” may be a base rate as described further below under “Description of the Securities—Base Rates,” and may be modified by a Spread or a Spread Multiplier specified in the applicable pricing supplement, as described below.
- “N” is the total number of calendar days or Market Measure Business Days, as applicable, in the applicable interest determination period on which the level of the Market Measure is within the Reference Range. “N” will increase, and interest will accrue on the securities, on each applicable day that the level of the Market Measure is within the Reference Range. However, “N” will not increase, and interest will not accrue on the securities with respect to any such day on which the level of the Market Measure is not within the Reference Range.
- “D” is the total number of calendar days or Market Measure Business Days, as applicable, in the applicable interest determination period.

The Reference Range will be specified in the applicable pricing supplement. The applicable pricing supplement may specify different Reference Ranges and/or interest rates for different interest determination periods during the term of the securities. If a day is not a Market Measure Business Day, the level of the Market Measure in respect of such day will be determined by reference to the level of the Market Measure on the immediately preceding or immediately following Market Measure Business Day, as specified in the applicable pricing supplement.

“Market Measure Business Day” means:

- (a) with respect to a Reference Rate, such day as is set forth in the applicable pricing supplement; and
- (b) with respect to an Index, a day on which (1) the New York Stock Exchange (the “NYSE”) and The NASDAQ Stock Market, or any successor(s) thereto, are open for trading and (2) the relevant Index is calculated and published. If the Market Measure is an Index, we may refer to a Market Measure Business Day as an “Index Business Day” in the applicable pricing supplement.

Unless otherwise set forth in the applicable pricing supplement, each “interest determination period” (other than the first interest determination period) will commence on, and will include, an interest payment date, and will extend to, but will exclude, the next succeeding interest payment date or the maturity date (or any applicable Early Redemption Date), as applicable. The first interest determination period will commence on, and will include, the original date of issuance of the securities, and will extend to, but will exclude, the first interest payment date.

If so specified in the applicable pricing supplement:

- the securities may be subject to an “Observation Cut-Off Date” for one or more interest determination periods, in which case the level of the Market Measure for each relevant day in the applicable interest determination period on and after that date will be deemed to be its level as of the applicable Observation Cut-Off Date;
- the securities may also pay interest at a fixed or floating rate for one or more interest determination periods, without regard to any Reference Range;

- the rate of interest payable on the securities may be calculated by adding or subtracting a “Spread” or by multiplying the interest rate by a “Spread Multiplier”; and
- the rate of interest payable on the securities may be subject to a minimum and/or maximum interest rate.

Dual Range Accrual Notes

If your securities are Dual Range Accrual Notes, interest will only accrue on the days during the applicable interest determination period on which each Market Measure is within its respective Reference Range. If either Market Measure is not within its respective Reference Range on a relevant day during the applicable interest determination period, interest will not accrue on that day.

Out of Range Coupon

If so specified in the applicable pricing supplement, the securities may pay a specified “Out of Range Coupon” for each of the relevant days that the Market Measure is not within the applicable Reference Range (or, in the case of Dual Range Accrual Notes, either or both of the Market Measures are not within their relevant Reference Range). The applicable pricing supplement for such securities will describe in more detail the manner in which interest on these securities will be calculated.

Is it possible that you will not receive any interest for any interest determination period?

Yes. If the Market Measure (or, in the case of Dual Range Accrual Notes, either Market Measure) is not within the applicable Reference Range on a calendar day or Market Measure Business Day, as the case may be, with respect to an interest determination period, interest will not accrue on that day. We cannot assure you that the interest rate payable on the securities during any interest determination period will be similar to, or greater than, the interest that is payable on a conventional debt security of comparable maturity. During any interest determination period, it is possible that the securities will not accrue interest, or will accrue interest at a very low rate.

Is the return on the securities limited in any way?

The amount of interest payable, and thus the return on the securities, will be limited by the number of days within each interest determination period that the level of the Market Measure falls within a specified Reference Range (or, in the case of Dual Range Accrual Notes, each Market Measure falls within its Reference Range). In addition, your securities may be Capped Range Accrual Notes or Capped Dual Range Accrual Notes, in which case the interest rate payable on the securities during any interest determination period will not exceed the percentage specified in the applicable pricing supplement.

May the securities be redeemed before the maturity date?

If so specified in the applicable pricing supplement, we may redeem the securities at our option prior to maturity on any specified “Early Redemption Date.” Unless otherwise set forth in the applicable pricing supplement, upon an early redemption, you will be entitled to receive a “Redemption Price” equal to the principal amount of your securities, plus any accrued and unpaid interest. You will not receive any interest payments after the Early Redemption Date. See the section below, “Description of the Securities—Early Redemption at Our Option.”

Who will determine the interest rate applicable to and the amount of interest payable in respect of each interest determination period?

Our affiliate, RBS Securities Inc., which we refer to as “RBSSI,” or one of our other affiliates will act as calculation agent for the securities, unless otherwise specified in the applicable pricing supplement.

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As calculation agent, RBSSI will determine the amount of interest payable on each interest payment date. The calculation agent may be required, due to events beyond our control, to adjust the calculation of certain Market Measures, which we describe in “Description of the Securities—Discontinuation or Modification of an Index.”

Can the maturity date be postponed?

Yes. If the scheduled maturity date is not a business day, then the maturity date will be the next succeeding business day following such scheduled maturity date. However, if a security is issued with a term (from but excluding the settlement date to and including the maturity date, each as specified in the relevant pricing supplement) of one year or less, any postponement of the maturity date shall not cause the term (calculated as described above) to exceed one year. See “Description of the Securities—Payment at Maturity.”

Will purchasing the securities give the holders of securities an ownership interest in the underlying assets that are represented by the Market Measure or Market Measures?

No. An investment in the securities does not entitle the holders of securities to any ownership interest, including any voting rights, dividends paid, or other distributions, in the securities of any of the companies included in an Index that is a Market Measure.

What is the minimum required purchase?

Unless otherwise specified in the applicable pricing supplement, you can purchase securities in denominations equal to the Original Offering Price or in integral multiples thereof.

How are the securities being offered?

We have registered the securities with the Securities and Exchange Commission, which we refer to as the “SEC,” in the United States. However, we will not register the securities for public distribution in any jurisdiction other than the United States. The selling agents may solicit offers to purchase the securities from non-U.S. investors in reliance on available private placement exemptions.

Is there a secondary market for the securities?

Unless otherwise specified in the applicable pricing supplement, the securities will not be listed on any securities exchange. Accordingly, there may be little or no secondary market for the securities and, as such, information regarding independent market pricing for the securities may be extremely limited or nonexistent. You should be willing to hold your securities until the maturity date.

Although it is not required to do so, we have been informed by our affiliate, RBSSI, that when this offering is complete, it intends to make purchases and sales of the securities from time to time in off-exchange transactions. If our affiliate does make such a market in the securities, it may stop doing so at any time.

In connection with any secondary market activity in the securities, our affiliate may post indicative prices for the securities on a designated website or via Bloomberg. However, our affiliate is not required to post such indicative prices and may stop doing so at any time. Investors are advised that any prices shown on any website or Bloomberg page are indicative prices only and, as such, there can be no assurance that any trade could be executed at such prices. Investors should contact their brokerage firms for further information.

In addition, the Original Offering Price of the securities includes the selling agents' commissions paid with respect to the securities, which are reflected in the underwriting discount, as well as certain costs

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associated with hedging our obligations under the securities. The cost of hedging includes the profit component built into the price we paid for the hedge. The fact that the Original Offering Price of the securities includes these commissions and hedging costs is expected to affect adversely the secondary market prices of the securities. See “Risk Factors—The value of your securities on the pricing date is less than the Original Offering Price due to the underwriting discount and our cost of hedging, both of which can be expected to be reflected in secondary market prices” and “Use of Proceeds; Hedging.”

If you were to sell your securities in the secondary market, if any, the price that you receive for them may be less than the Original Offering Price, and may be less than what you paid for them.

Who might consider investing in the securities?

The securities are not suitable for all investors. You may consider an investment in the securities if:

- you anticipate that the level of the Market Measure (or, in the case of Dual Range Accrual Notes, each Market Measure) to which your securities are linked will stay within the applicable Reference Range specified in the applicable pricing supplement over most or the entire term of the securities;
- you are willing to forgo guaranteed market rates of interest for the term of the securities, and you accept that the amount of interest that accrues in respect of each interest determination period will depend on the number of days during that period on which the levels of the Market Measure (or, in the case of Dual Range Accrual Notes, both Market Measures) are within the applicable Reference Range, as specified in the applicable pricing supplement;
- you accept that the securities may pay no interest, or may pay interest at a very low rate, for any interest determination period depending on the performance of the Market Measure for that interest determination period;
- you accept that the interest rate applicable to any interest determination period may be capped at a rate specified in the applicable pricing supplement;
- you are willing to accept that a trading market is not expected to develop for the securities, and you understand that secondary market prices for the securities, if any, will be affected by various factors, including our actual and perceived creditworthiness;
- you are able to and willing to hold the securities until maturity;
- If the securities are callable at our option, you are willing to accept the risk that the securities may be called prior to maturity and you may be unable to reinvest the proceeds of such redemption at the same rate of interest; and
- you are willing to make an investment, the payments on which depend on the creditworthiness of RBS plc, as the issuer of the securities, and RBSG, as the guarantor of the issuer’s obligations under the securities.

The securities may not be a suitable investment for you if:

- you believe that the level of the Market Measure (or, in the case of Dual Range Accrual Notes, any Market Measure) to which your securities are linked will be outside of the applicable Reference Range specified in the applicable pricing supplement over most or the entire term of the securities;

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- you are unwilling to forgo guaranteed market rates of interest for the term of the securities or you are unable to accept the risk that the securities may pay no interest, or may pay interest at a very low rate, for any interest determination period;
- you seek assurances that there will be a liquid market if and when you want to sell the securities prior to maturity;
- with respect to Capped Range Accrual Notes or Capped Dual Range Accrual Notes, you seek a return on investment that will not be capped at the interest rate specified in the applicable pricing supplement;
- if the securities are callable at our option, you are unwilling to accept the risk that the securities may be called prior to maturity, and are unwilling or unable to accept the risk that you may be unable to reinvest the proceeds of such redemption in an investment with a return that is as high as the return on the securities would have been if they had not been redeemed; and
- you are unwilling or are unable to assume the credit risk associated with RBS plc, as the issuer of the securities, and RBSG, as the guarantor of the issuer's obligations under the securities.

You should carefully consider whether the securities are suited to your particular circumstances before you decide to purchase them. In addition, we urge you to consult with your investment, legal, accounting, tax and other advisers with respect to any investment in the securities.

What are some of the risks in owning the securities?

Investing in the securities involves a number of risks. We have described some of the most significant risks relating to the securities under the heading "Risk Factors" in this product supplement which you should read before making an investment in the securities.

Some selected risk considerations include:

- **Credit Risk.** Because you are purchasing a security issued by us, you are assuming the risk that we may be unable to pay our obligations to you as they become due and payable. In addition, because the securities are fully and unconditionally guaranteed by RBSG, you are also assuming the risk that RBSG will be unable to pay amounts due to you under the securities in the event that we fail to make any payment required by the terms of the securities.
- **Market Risk.** The interest payments on your securities will depend on the performance of the Market Measure or Market Measures to which your securities may be linked, which, in turn, will depend on many factors beyond our control. These factors include general market conditions, which will be influenced by political, economic, financial, and other factors that impact the capital markets generally, the volatility of the Market Measure or Market Measures, changes in interest rates in general, and the time remaining to maturity of the securities.
- **Reinvestment Risk.** If the securities are callable at our option, you face the risk that the securities may be redeemed prior to maturity and your return on the securities would be less than the return on the securities would have been had they not been redeemed. You also face the risk that you may not be able to reinvest the proceeds in an investment with the same level of return for comparable risk.
- **Liquidity Risk.** Unless otherwise specified in the applicable pricing supplement, the securities will not be listed on any securities exchange. Accordingly, there may be little or no secondary market for the securities and, as such, information regarding independent market pricing for the securities may be extremely limited or nonexistent. If you

sell your securities in the secondary

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market, if any, prior to maturity, you will receive the market price of the securities, which may be less than the Original Offering Price or the price that you paid for them.

Does ERISA impose any limitations on purchases of the securities?

Yes. An employee benefit plan subject to the fiduciary responsibility provisions of the Employee Retirement Income Security Act of 1974, as amended (commonly referred to as “ERISA”), or a plan that is subject to Section 4975 of the Internal Revenue Code of 1986, as amended, or the “Code,” including individual retirement accounts, individual retirement annuities, or Keogh plans, or any entity the assets of which are deemed to be “plan assets” under the ERISA regulations, should not purchase, hold, or dispose of the securities unless that plan or entity has determined that its purchase, holding, or disposition of the securities will not constitute a prohibited transaction under ERISA or Section 4975 of the Code.

Any plan or entity purchasing the securities with “plan assets” will be deemed to represent that (i) such purchase will not constitute or result in a non-exempt prohibited transaction under ERISA or the Code and (ii) the purchaser or purchaser’s fiduciary has made and will make all investment decisions for the purchaser and the purchaser has not and will not rely in any way upon us or our affiliates to act as a fiduciary or adviser to the purchaser with respect to its purchase of the securities.

What are the tax consequences of an investment in the securities?

You should review carefully the section in this product supplement entitled “U.S. Federal Income Tax Consequences.”

For a discussion of United Kingdom tax considerations relating to the securities, you should review the section in this product supplement entitled “Certain United Kingdom Taxation Considerations.”

You should consult your tax adviser regarding the U.S. federal tax consequences of an investment in the securities, as well as tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

What is RBSSI’s relationship with RBS plc and RBSG?

RBS Securities Inc., which we refer to as RBSSI, is an affiliate of RBS plc and RBSG. RBSSI will act as calculation agent for the securities, and is acting as agent for this offering. RBSSI will conduct this offering in compliance with the requirements of Rule 5121 of the Financial Industry Regulatory Authority, which is commonly referred to as FINRA, regarding a FINRA member firm’s distribution of the securities of an affiliate. See “Risk Factors—There may be potential conflicts of interest between security holders and the calculation agent or other of our affiliates” and “Plan of Distribution (Conflicts of Interest)” in this product supplement.

What if I have more questions?

You should read “Description of the Securities” in this product supplement for a detailed description of the general terms of the securities. The applicable pricing supplement will describe the terms that apply to the specific securities. The securities are unsecured and unsubordinated obligations of RBS plc issued as part of our RBS NotesSM program and are fully and unconditionally guaranteed by RBSG. The securities offered by RBS plc will constitute our unsecured and unsubordinated obligations and rank pari passu without any preference among them and with all our other present and future unsecured and unsubordinated obligations. The guarantees of RBSG will constitute RBSG’s unsecured and unsubordinated obligations and rank pari passu without any preference among them and with all RBSG’s other current and future unsecured and unsubordinated obligations. You can find a general

description of

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certain basic features of the securities in the section of the accompanying prospectus called “Description of Debt Securities.”

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RISK FACTORS

An investment in the securities entails significant risks. You should carefully consider the risks of an investment in the securities, including those discussed below, and whether the securities are suited to your particular circumstances before you decide to purchase them. In addition, we urge you to consult with your investment, legal, accounting, tax and other advisers with respect to any investment in the securities.

Risks Related to the Securities Generally

It is possible that you may receive no interest, or only a limited amount of interest, for one or more interest determination periods.

The interest payable on the securities with respect to some or all of the interest determination periods during the term of the securities will depend on the levels of the Market Measure (or, in the case of Dual Range Accrual Notes, each Market Measure) and the applicable Reference Range specified in the applicable pricing supplement. No interest will accrue on any calendar day or Market Measure Business Day, as the case may be, on which any applicable Market Measure is not within the applicable Reference Range. As a result, you could receive little or no payment of interest on one or more of the interest payment dates, or even all of the interest payment dates. You may earn little or no return on your investment if the applicable Market Measure is outside of the applicable Reference Range (or, in the case of Dual Range Accrual Notes, either or each Market Measure is outside of its applicable Reference Range) for most or all of the term of the securities.

We have no control over various matters, including economic, financial, and political events which may affect the level of the applicable Market Measure. You should have a view as to the applicable Market Measure and its levels, and before investing, you must be willing to forgo guaranteed market rates of interest for all or most of the term of the securities.

Your yield may be less than the yield on a conventional debt security of comparable maturity.

The yield that you receive on the securities may be less than the return you would earn if you purchased a conventional debt security with the same maturity date. Payments on the securities may be limited to the principal amount of the securities at maturity and are subject to our credit risk and the credit risk of RBSG. As a result, your investment in the securities may not reflect the full opportunity cost to you when you consider factors, such as inflation, that affect the time value of money.

The credit risk of The Royal Bank of Scotland plc and The Royal Bank of Scotland Group plc, and their credit ratings and their credit spreads may adversely affect the value of the securities prior to maturity, and all payments on the securities will be subject to the ability of RBS plc and RBSG to pay their respective obligations as they become due.

You are dependent on The Royal Bank of Scotland plc's ability to pay all amounts due on the securities, and therefore you are subject to the credit risk of The Royal Bank of Scotland plc and to changes in the market's view of The Royal Bank of Scotland plc's creditworthiness. In addition, because the securities are unconditionally guaranteed by The Royal Bank of Scotland plc's parent company, The Royal Bank of Scotland Group plc, you are also dependent on the credit risk of The Royal Bank of Scotland Group plc in the event that The Royal Bank of Scotland plc fails to make any payment or delivery required by the terms of the securities. Any actual or anticipated decline in The Royal Bank of Scotland plc or The Royal Bank of Scotland Group plc's credit ratings or any increase in their credit spreads charged by the market for taking credit risk is likely to adversely affect the value of the securities prior to maturity,

and all payments on the securities will be subject to the ability of RBS plc and RBSG to pay their respective obligations as they become due.

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Our credit ratings are an assessment, by each rating agency, of our ability to pay our obligations, including those under the securities. Credit ratings are subject to revision, suspension or withdrawal at any time by the assigning rating organization in their sole discretion. However, because the return on the securities is dependent upon factors in addition to our ability to pay our obligations under the securities, an improvement in our credit ratings will not necessarily increase the value of the securities and will not reduce market risk and other investment risks related to the securities. Credit ratings (i) do not reflect market risk, which is the risk that the level of the Market Measure or Market Measures may rise or fall above or below the applicable Reference Range or Reference Ranges, resulting in interest not accruing for each such day, (ii) do not address the price, if any, at which the securities may be resold prior to maturity (which may be substantially less than the Original Offering Price of the securities), and (iii) are not recommendations to buy, sell or hold the securities.

If your securities are Capped Range Accrual Notes or Capped Dual Range Accrual Notes, your return, if any, will be limited by the maximum interest rate.

If the applicable pricing supplement specifies that the interest payable on the securities for one or more interest determination periods is subject to a maximum interest rate, in no event will the interest rate applicable to those interest determination periods be greater than the maximum interest rate. This will be the case even if the level of the Market Measure is within the Reference Range on each relevant day during those periods.

If the securities you purchase accrue interest at a floating rate, you may receive a lesser amount of interest in the future.

Because the interest rate on floating rate securities will be indexed to an external interest rate or index that may vary from time to time, there will be significant risks not associated with a conventional fixed rate debt security. These risks include fluctuation of the applicable interest rate and the possibility that, in the future, the interest rate on your security will decrease and may be zero, subject to any minimum interest rate specified in the applicable pricing supplement. We have no control over a number of matters that may affect interest rates, including economic, financial and political events that are important in determining the existence, magnitude and longevity of these risks and their results.

If specified in the applicable pricing supplement, the securities will be subject to our early redemption.

If specified in the applicable pricing supplement, we may redeem the securities prior to their maturity date. If you purchase securities that are redeemable prior to maturity, you must be willing to have your securities redeemed as early as the first Early Redemption Date specified in the applicable pricing supplement. We are generally more likely to redeem the securities during periods when we expect that interest will accrue on the securities at a rate that is greater than that which we would pay on our traditional interest-bearing deposits or debt securities having a maturity equal to the remaining term of the securities. In contrast, we are generally less likely to redeem the securities during periods when we expect interest to accrue on the securities at a rate that is less than that which we would pay on those instruments. In general, the more we expect that the applicable Market Measure will be within the applicable Reference Range, the more likely it will be that we will redeem the securities.

If we redeem the securities prior to the maturity date, unless otherwise specified in the applicable pricing supplement, you will be entitled to receive for each unit of your securities a Redemption Price, in cash, equal to the principal amount, plus any accrued and unpaid interest to, but excluding, the Early Redemption Date, and you will not receive any future interest payments. In the case of an early redemption, you will not benefit from the fact that the level of the Market Measure is within the Reference Range after the Early Redemption Date. You may be unable to reinvest your proceeds from the redemption in an investment with a return that is as high as the return on the securities would have been if they had not been redeemed.

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For additional information, see “Description of the Securities—Early Redemption at Our Option” below.

If the level of a Market Measure is not within the applicable Reference Range on the Observation Cut-Off Date, no interest will accrue on the securities on each relevant day from the Observation Cut-Off Date through the end of the applicable interest determination period, even if the level of the Market Measure is within the applicable Reference Range on one or more of those days.

If the applicable pricing supplement specifies an Observation Cut-Off Date for one or more interest determination periods, the level of the Market Measure for each relevant day in the applicable interest determination period on and after the applicable Observation Cut-Off Date will be deemed to be its level as of the Observation Date. As a result, if the level of the Market Measure is outside the applicable Reference Range on the Observation Cut-Off Date, the securities will not accrue any interest on each day from the Observation Cut-Off Date until the end of the applicable interest determination period. This will be the case even if the level of the Market Measure is within the Reference Range on one or more of those days.

If your securities are Dual Range Accrual Notes, changes in the level of one of the Market Measures may not correlate with changes in the level of the other Market Measure, and interest will not accrue if either Market Measure is outside of the applicable Reference Range.

Your securities may be Dual Range Accrual Notes, which will accrue interest only when each of the Market Measures is within its applicable Reference Range. A change in the level of one of the Market Measures may not correlate with a change in the level of the other Market Measure. Even if one Market Measure is within the applicable Reference Range for some or all of the term of the securities, the other Market Measure may not be, which would reduce the rate of interest payable on the securities.

If the Market Measure(s) is an Index and a Market Disruption Event occurs during one or more interest determination periods, it is possible that you may receive no interest, or only a limited amount of interest, for one or more interest determination periods.

If a Market Disruption Event with respect to the Index occurs on any relevant day during an interest determination period, the closing level of the Index for such day will be the closing level of the Index on the immediately preceding or following day on which no Market Disruption Event exists, as specified in the applicable pricing supplement. In certain circumstances, the closing level of the Index will be based on the alternate calculation of the Index described under “Description of the Securities—Discontinuation or Modification of an Index.”

If a Market Disruption Event occurs with respect to an Index on any relevant day during an interest determination period, and the closing level of such Index was not within the applicable Reference Range on the immediately preceding or following day, as specified in the applicable pricing supplement, no interest will accrue on the securities until the level of such Index is within the applicable Reference Range. You may earn little or no return on your investment if any Market Measure is outside of the applicable Reference Range for most or all of the term of the securities.

Although we are a bank, the securities are not bank deposits and are not insured or guaranteed by the Federal Deposit Insurance Corporation, the Deposit Insurance Fund or any other government agency.

The securities are our obligations but are not bank deposits. In the event of our insolvency the securities will rank equally with our other unsecured, unsubordinated obligations and will not have the benefit of any insurance or guarantee of the Federal Deposit Insurance Corporation, The Deposit Insurance Fund or any other government agency.

Unless otherwise specified in the applicable pricing supplement, the securities will not be listed on any securities exchange, and there may be little or no secondary market for the securities.

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You should be willing to hold your securities until the maturity date. Unless otherwise specified in the applicable pricing supplement, the securities will not be listed on any securities exchange; accordingly, there may be little or no secondary market for the securities and, as such, information regarding independent market pricing for the securities may be very limited or nonexistent. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the securities easily. Our affiliate has informed us that, upon completion of the offering, it intends to purchase and sell the securities from time to time in off-exchange transactions, but it is not required to do so. If our affiliate does make such a market in the securities, it may stop doing so at any time.

The value of the securities prior to maturity will be influenced by many unpredictable factors, and may be less than the Original Offering Price.

The value of the securities may move up and down between the date you purchase them and the valuation date when the calculation agent determines the Payment at Maturity you are entitled to receive on the maturity date. As such, even if you were able to sell your securities before their maturity, numerous factors, many of which are beyond our control, will influence the value of the Market Measure, the value of the securities and the price at which you may be able to sell them, including the following:

- the level of the Market Measure(s), which can fluctuate significantly;
- the volatility (frequency and magnitude of changes) in the level of the Market Measure(s);
- if the securities are linked in whole or in part to an Index, the dividend rate on securities that comprise an Index; while dividend payments, if any, on the securities that comprise an Index are not paid to you, such payments may have an influence on the market price of such securities that comprise the Index, and therefore on the level of the Index and the interest payable on your securities;
 - prevailing interest and yield rates in the market;
- geopolitical conditions and economic, financial, political, regulatory, geographical, agricultural, or judicial events that affect the Market Measure(s), or the markets generally;
- if the securities are linked in whole or in part to an Index that includes securities that are traded in non-U.S. dollars, changes in, and the volatility of, the exchange rate between the U.S. dollar and the relevant non-U.S. currency or currencies in which these securities are traded;
 - the supply and demand for the securities in the secondary market, if any;
 - the time remaining to the maturity of the securities; and
- the actual or perceived creditworthiness of RBS plc, as the issuer of the securities, and RBSG, as the guarantor of RBS plc's obligations under the securities.

These factors interrelate in complex ways, and the effect of one factor on the value of your securities may offset or enhance the effect of another factor.

Some or all of these factors will influence the price that you will receive if you sell your securities prior to maturity in the secondary market, if any. If you sell your securities prior to maturity, the price at which you are able to sell your securities may be at a discount, which could be substantial, from the Original Offering Price or the price which you paid for them. For example, assuming all other relevant factors remain constant, there may be a discount on the securities if at the time of sale the level of the Market Measure is outside of the applicable Reference Range or if

market interest rates rise. Even if the Market Measure is within the applicable Reference Range, there may be a discount on the securities due to, among other things, market expectations concerning the performance of the Market Measure before the maturity date and the time remaining to maturity of the securities. Thus, if you sell your security before

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maturity, the price that you receive may be less, and may be substantially less, than the Original Offering Price or the price which you paid.

Some or all of these factors will influence the interest payments and, thus, your return on the securities, if any. We cannot predict the future performance of the securities and the Market Measure based on the historical performance of the Market Measure. Neither we nor RBSG nor any of our affiliates can guarantee that the Market Measure will perform in a manner that will result in any minimum return to you on your investment. As an investor in the securities you assume the risk that as a result of the performance of the Market Measure you may not receive any return on your initial investment in the securities.

The value of your securities on the pricing date is less than the Original Offering Price due to the underwriting discount and our cost of hedging, both of which can be expected to be reflected in secondary market prices.

In determining the economic terms of the securities, and consequently the potential return on the securities to you, we have taken into account compensation to our affiliate, RBSSI, and other selling agents for distributing the securities, which are reflected in the underwriting discount, as well as certain costs associated with hedging our obligations under the securities. The Original Offering Price of the securities reflects these factors.

As a result, the value of your securities on the pricing date will be less than the Original Offering Price. Assuming no change in the level of the Market Measure, in market conditions or any other relevant factors, the price, if any, at which the selling agents are willing to purchase securities in secondary market transactions will likely be less than the Original Offering Price by an amount reflecting both the underwriting discount and the cost of unwinding our hedge of our obligations under the securities (principally reflecting a profit component built into the price we paid for the hedge). In addition, any such prices may differ from values determined by pricing models used by the selling agents, as a result of dealer discounts, mark-ups or other transaction costs.

In the event that the U.K. tax treatment of the securities changes in certain ways, allowing us or RBSG, as guarantor, to exercise our option to redeem the securities, as described below under “Description of the Securities—Optional Tax Redemption,” the amount of cash you will be entitled to receive upon redemption of the securities is uncertain.

We will have the option to redeem your securities if the U.K. tax treatment of the securities changes in certain ways, as described below under “Description of the Securities—Optional Tax Redemption,” including but not limited to the imposition of a withholding tax that requires us to pay Additional Amounts in respect of that tax. We or RBSG will be required to deliver to the trustee and securities administrator a written legal opinion of independent English counsel of recognized standing, selected by us or RBSG, as applicable, in a form satisfactory to the trustee and securities administrator confirming that we or RBSG, as applicable, is entitled to exercise this right of redemption. The amount we pay you for your securities in such redemption will be their fair market value, as calculated by the calculation agent. The fair market value of the securities may be less than the Original Offering Price.

There are potential conflicts of interest between us and our affiliates and you, and we and our affiliates may take actions that are not in your interest.

Hedging and trading activities by us or our affiliates may adversely affect your return on the securities and the value of the securities.

We and our affiliates may carry out activities that minimize our risks related to the securities. In particular, on or prior to the date of the applicable pricing supplement, we may have hedged our anticipated exposure in connection with the securities by taking positions in the underlying asset(s) (or options or futures contracts on the underlying asset(s)) that comprise the Market Measure or in other instruments that we deemed appropriate in connection with such

hedging. We may enter into such

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hedging arrangements with or through one of our subsidiaries or affiliates. These trading activities, however, could potentially alter the level of the Market Measure and/or the underlying asset(s) comprising the Market Measure and, therefore, the value of the securities.

We and our affiliates are likely to modify our hedge position throughout the term of the securities by purchasing and selling underlying asset(s) (or options or futures contracts on the underlying asset(s)) that comprise the Market Measure, or other instruments that we deem appropriate. We cannot give any assurance that our hedging or trading activities will not affect the level of the Market Measure or the underlying asset(s) comprising the Market Measure. It is also possible that we or one of more of our affiliates could receive substantial returns from these hedging activities while the value of the securities may decline.

We or one or more of our affiliates may also engage in trading the underlying asset(s) (or options or futures contracts on the underlying asset(s)) that comprise the Market Measure or options or futures on the Market Measure on a regular basis as part of our or their general broker-dealer activities and other businesses, for proprietary accounts, for other accounts under management or to facilitate transactions for customers, including through block transactions. Any of these activities could adversely affect the level of the Market Measure, the underlying asset(s) comprising the Market Measure and, therefore, the value of the securities.

We or one or more of our affiliates may also issue or underwrite other securities or financial or derivative instruments with returns linked or related to changes in the value of the Market Measure or the underlying asset(s) comprising the Market Measure. By introducing competing products into the marketplace in this manner, we or one or more of our affiliates could affect adversely the value of the securities.

There may be potential conflicts of interest between security holders and the calculation agent or other of our affiliates.

Our affiliate, RBSSI, will serve as the calculation agent for the securities. RBSSI will, among other things, determine the levels of the applicable Market Measures and the amount of interest to be paid on the securities. For example, the calculation agent may have to determine whether a Market Disruption Event affecting the Market Measure has occurred or is continuing. In addition, the calculation agent may have to make additional calculations if the Market Measure is no longer published or is liquidated, discontinued, suspended, modified, delisted or otherwise terminated. The calculation agent will exercise its judgment when performing its functions. Since these determinations by the calculation agent may affect the value of the securities, there may be a conflict of interest between the calculation agent's status as our affiliate and its role as a calculation agent in making any such decision. For a fuller description of the calculation agent's role, see "Description of the Securities—Role of the Calculation Agent."

Moreover, as discussed above, we and our affiliates may enter into transactions to hedge our anticipated exposure in connection with our obligations under the securities. We and our affiliates expect to make a profit. However, since hedging our obligations entails risk and may be influenced by market forces beyond our control, such hedging may result in a profit that is more or less than initially projected, or could result in a loss. These activities may present a conflict of interest between your interest in the securities and the interests that we and our affiliates may have in these transactions or in our proprietary accounts. These activities could affect the level of the applicable Market Measure, and hence the value of your securities, in a manner that would be adverse to your interest as a security holder.

The holding of securities by our affiliates and future sales by our affiliates could be in conflict with your interests.

Certain of our affiliates may purchase for investment a portion of the securities that has not been purchased by investors in a particular offering of securities, which initially they intend to hold for investment

purposes. Circumstances may occur in which our interests or those of our affiliates could be in conflict with your interests. For example, our affiliates may attempt to sell the securities that they had been holding for investment purposes at the same time that you attempt to sell your securities, which could depress the price, if any, at which you can sell your securities. Moreover, the liquidity of the market for the securities, if any, could be substantially reduced as a result of our affiliates holding the securities. See “—Unless otherwise specified in the applicable pricing supplement, the securities will not be listed on any securities exchange and there may be little or no secondary market for the securities.”

RBSSI and its affiliates may publish reports, express opinions or provide recommendations that are inconsistent with investing in or holding the securities. Any such reports, opinions or recommendations could affect the level of the Market Measure and therefore the value of the securities.

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RBSSI and its affiliates may publish reports from time to time on financial markets and other matters that may influence the value of the securities or express opinions or provide recommendations that are inconsistent with purchasing or holding the securities. RBSSI and its affiliates may have published or may publish reports or other opinions that call into question the investment view implicit in an investment in the securities and RBSSI. Any reports, opinions or recommendations expressed by RBSSI or its affiliates may not be consistent with each other and may be modified from time to time without notice. Investors should make their own independent investigation of the merits of investing in the securities and the Market Measure to which the securities are linked.

We may engage in business with or involving one or more of the issuers of the securities comprising any Index without regard to your interests.

We or our affiliates may presently or from time to time engage in business with one or more of the issuers of the securities comprising any Index without regard to your interests, including extending loans to, making equity investments in, or providing investment advisory services to, one or more of such issuers or their affiliates or subsidiaries.

In the course of our business, we or our affiliates may acquire non-public information about one or more of the issuers of the securities comprising any Index. None of us, RBSG or any of our affiliates undertakes to disclose any such information to you. In addition, we or our affiliates from time to time have published, and in the future may publish, research reports with respect to the securities comprising any Index. These research reports may or may not recommend that investors buy or hold the securities that are components of any Index.

The amount of interest we may pay on the securities may be limited by state law.

New York law governs the securities. New York usury laws limit the amount of interest that can be charged and paid on loans, including debt securities like the securities. Under current New York law, the maximum rate of interest, subject to some exceptions, for any loan in an amount less than \$250,000 is 16% and for any loan in the amount of \$250,000 or more but less than \$2,500,000 is 25% per annum on a simple interest basis. While we believe that a state or federal court sitting outside of New York may give effect to New York law, many other states also have laws that regulate the amount of interest that may be charged to and paid by a borrower. We do not intend to claim the benefits of any laws concerning usurious rates of interest.

There is uncertainty regarding the U.S. federal income tax consequences of an investment in securities with a term longer than one year.

There is uncertainty regarding the U.S. federal income tax consequences of an investment in securities with a term of longer than one year (from but excluding the settlement date to and including the last possible date that the securities could be outstanding pursuant to their terms). As described in the section of this product supplement entitled "U.S. Federal Income Tax Consequences," we will specify in the applicable pricing supplement whether we intend to treat these securities as "variable rate debt instruments" or as "contingent payment debt instruments" for U.S. federal income tax purposes. However, the Internal Revenue Service (the "IRS") may not agree with the treatment we specify, and may assert that the alternative to this treatment is appropriate – for example, that securities we treat as variable rate debt instruments should instead be treated as contingent payment debt instruments. If the IRS were successful in asserting the alternative to our treatment, the tax consequences of ownership and disposition of the securities might be affected materially and adversely.

You should consult your tax adviser regarding the U.S. federal income tax consequences of an investment in the securities, as well as tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

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Risks Related to Market Measures that are Indices

An investment in the securities is not the same as a direct investment in the Index or in the underlying asset(s) that comprise the Index.

An investment in the securities is not the same as a direct investment in the Index or in the assets that comprise the Index. The securities are our unsecured and unsubordinated obligations, while the level of the Index is a value derived from a theoretical calculation. The Index is not an actual portfolio of assets, and it is not possible to make a direct investment in the Index. Investing in the securities also will not make you a holder of the assets comprising the Index and your return, if any, on the securities will not be the same as if you actually own the assets comprising the Index. You will not receive any payment of dividends or other distributions on any of the securities comprising the Index. In addition, as an investor in the securities, you will not have voting rights or any other rights with respect to the securities that comprise the Index.

Further, neither we nor RBSG nor any of our affiliates will pledge or otherwise hold any assets (including any shares of the stocks, commodities, commodity futures contracts or other underlying assets that comprise the Market Measure that we or RBSG may own) for the benefit of holders of the securities under any circumstances. Consequently, in the event of a bankruptcy, insolvency or liquidation involving us or RBSG, as the case may be, our assets and the assets of RBSG will be subject to the claims of our creditors or RBSG's creditors generally and will not be available specifically for the benefit of the holders of the securities. Moreover, the indenture governing the securities does not contain any restriction on our ability or the ability of any of our affiliates to buy, sell, pledge or otherwise convey all or any portion of any assets that we own, including any underlying asset(s) (or options or futures contracts thereupon).

Unless otherwise set forth in the applicable pricing supplement, we do not control any issuer whose securities comprise any Index and we are not responsible for any of their disclosure.

We do not control any issuer whose securities comprise any Index. As a result, we will have no ability to control the actions of such issuers, including actions that could affect the value of the securities comprising such Index or the securities, and we are not responsible for the accuracy or adequacy of any of their disclosure or publicly available information about these issuers. None of those issuers will be involved in the offering of the securities in any way, and none of them will have any obligation of any sort with respect to the securities. As a result, none of those issuers will have any obligation to consider your interests as a holder of the securities offered hereunder in taking any corporate actions that might affect the value of the securities you purchase hereunder.

Adjustments to the Index could adversely affect the securities.

The sponsor of an equity index is responsible for calculating and maintaining the equity index. The sponsor of an equity index can add, delete or substitute the equity securities underlying an equity index. You should realize that the changing of equity securities included in an equity index may affect the Index, as a newly added equity security may perform significantly better or worse than the equity security or securities it replaces. The sponsor of an equity index may make other methodological changes that could change the value of an Index. Additionally, a sponsor may alter, discontinue or suspend calculation or dissemination of an equity index. Any of these actions could affect adversely the value of the securities. The sponsor of an Index has no obligation to consider your interests in calculating or revising such Index.

If the Index includes securities traded on foreign exchanges, your return may be affected by factors affecting international securities markets.

The level of the Index may be computed by reference to the value of the equity securities of companies listed on various global exchanges. Under these circumstances, the return on the securities will be affected by factors affecting the prices of securities in the relevant markets. The relevant foreign

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securities may be more volatile than United States or other securities markets and may be affected by market developments in different ways than United States or other securities markets. Direct or indirect government intervention to stabilize a particular securities market and cross-shareholdings in companies in the relevant foreign securities markets may affect prices and the volume of trading in those markets. Also, there is generally less publicly available information about foreign companies than about United States companies that are subject to the reporting requirements of the Securities and Exchange Commission. Additionally, accounting, auditing and financial reporting standards and requirements in foreign countries differ from those applicable to United States reporting companies.

The prices and performance of securities of companies in foreign countries may be affected by political, economic, financial and social factors in those regions. In addition, recent or future changes in government, economic and fiscal policies in the relevant jurisdictions, the possible imposition of, or changes in, currency exchange laws or other laws or restrictions, and possible fluctuations in the rate of exchange between currencies, are factors that could negatively affect the relevant securities or commodities markets. Moreover, the relevant foreign economies may differ favorably or unfavorably from the United States economy in economic factors such as growth of gross national product, rate of inflation, capital reinvestment, resources and self-sufficiency.

If the value of securities comprising the Index are not traded in U.S. dollars, and are converted into U.S. dollars for purposes of calculating the level of the Index, then the securities will be subject to currency exchange rate risk.

The securities will be denominated in U.S. dollars. If the securities comprising the Index are traded in a currency other than U.S. dollars, and are converted into U.S. dollars for purposes of calculating the level of the Index, the holders of the securities will be exposed to currency exchange rate risk with respect to each of the currencies in which the securities comprising the Index trade. An investor's exposure to currency exchange rate risk under these circumstances will depend on the extent to which such currencies strengthen or weaken against the U.S. dollar and the relative weight of the relevant securities of that Index denominated in each such currency. An investor will also be exposed to the volatility in the currency exchange rate fluctuation between the U.S. dollar and the relevant currency in which the securities trade.

Factors that may impact currency exchange rate movements include:

- existing and expected rates of inflation;
- existing and expected interest rate levels;
- the extent of governmental surpluses or deficits in each relevant country for the currency in which the securities that comprise the Index are quoted and the United States; and
- government intervention in the currency markets, including whether a particular currency exchange trade is fixed or allowed to float.

All of these factors are in turn sensitive to the monetary, fiscal and trade policies pursued by the governments of various relevant countries for the currencies in which the securities that comprise the Index are quoted and the United States and other countries important to international trade and finance.

Other risks related to an Index.

The applicable pricing supplement may set forth additional risk factors applicable to any Index to which your securities are linked. You should review these risks before purchasing the securities.

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Other Risk Factors Relating to the Applicable Market Measure or Market Measures.

The applicable pricing supplement may set forth additional risk factors as to the Market Measure or Market Measures that you should review prior to purchasing the securities.

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USE OF PROCEEDS; HEDGING

The net proceeds we receive from the sale of the securities will be used for general corporate purposes and, in part, by us or one or more of our affiliates to hedge our obligations under the securities. The cost of hedging includes the projected profit that we or our affiliates expect to realize in consideration for assuming the risks inherent in managing the hedging transactions. Since hedging our obligations entails risk and may be influenced by market forces beyond our or our affiliates' control, such hedging may result in a profit that is more or less than initially projected, or could result in a loss.

From time to time after issuance and prior to the maturity of any securities, depending on market conditions (including the level of any Market Measure), in connection with hedging certain of the risks associated with the securities, we expect that one or more of our affiliates will increase or decrease their initial hedging positions using dynamic hedging techniques and may take long or short positions in listed or over-the-counter options contracts in, or other derivative or synthetic instruments related to, Market Measures or any securities or other assets represented by a Market Measure. In addition, we or one or more of our affiliates may take positions in other types of appropriate financial instruments that may become available in the future. Depending, among other things, on future market conditions, the aggregate amount and the composition of such positions are likely to vary over time. Our or our affiliates' hedging activities will not be limited to any particular securities exchange or market.

DESCRIPTION OF THE SECURITIES

General

In this section, references to “holders” mean those who own the securities registered in their own names, on the books that we or the securities administrator maintain for this purpose, and not those who own beneficial interests in the securities registered in street name or in the securities issued in book-entry form through The Depository Trust Company (“DTC”) or another depository. Owners of beneficial interests in the securities should read the section “—Forms of Securities” below and “Description of Debt Securities—Form of Debt Securities; Book-Entry System” in the accompanying prospectus dated September 28, 2012.

The securities are debt securities as described in the prospectus which also contains a detailed summary of additional provisions of the securities and of the amended and restated indenture, dated as of August 13, 2010 (the “original indenture”), among us, as issuer, RBSG, as guarantor, and The Bank of New York Mellon, acting through its London Branch, as original trustee, as supplemented by a first supplemental indenture dated as of August 25, 2010 (the “first supplemental indenture”), among us, as issuer, RBSG, as guarantor, The Bank of New York Mellon, acting through its London Branch, as original trustee, Wilmington Trust Company, as trustee, and Citibank, N.A., as securities administrator, and a third supplemental indenture dated as of September 27, 2011 (the “third supplemental indenture”) among us, as issuer, RBSG, as guarantor, and Wilmington Trust Company, as trustee, under which the securities will be issued (the original indenture, as supplemented by the first supplemental indenture and the third supplemental indenture, and as may be further supplemented or amended from time to time, collectively, the “indenture”). The following description of the securities supplements the description of the indenture and the general terms and provisions of the debt securities set forth under the heading “Description of Debt Securities” in the accompanying prospectus. These documents should be read in connection with the applicable pricing supplement. Pursuant to an administration agreement dated as of August 25, 2010 (the “administration agreement”), among us, RBSG, Wilmington Trust Company, and Citibank, N.A., the securities administrator will be the authenticating agent, paying agent, securities registrar and transfer agent for the securities. The securities issued under the indenture will constitute a single series under the indenture, together with any securities that we may issue in the future under the indenture that we designate as being part of that series.

The aggregate principal amount of each series of the securities will be set forth in the applicable pricing supplement. The securities will mature on the date set forth in the applicable pricing supplement.

Prior to the applicable maturity date, the securities are not redeemable at our option or repayable at the option of any holder except as described under “Description of the Securities – Optional Tax Redemption, and, if specified in the applicable pricing supplement, as described under “Description of the Securities – Early Redemption at Our Option”. The securities are not subject to any sinking fund.

The CUSIP number for each series of the securities will be set forth in the applicable pricing supplement. You may transfer the securities only in whole denominations.

Denomination

We will offer the securities in denominations of the Original Offering Price or in integral multiples thereof. Any securities of a series offered after such series’ initial offering may be issued at a price higher or lower than the stated principal amount, based on the indicative value of the securities at that time. However, regardless of the issue price of any securities, the stated principal amount or par value of all securities will be the Original Offering Price or integral multiples thereof.

Ranking

The securities will constitute our unsecured and unsubordinated obligations and rank pari passu without any preference among them and with all our other present and future unsecured and

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unsubordinated obligations save for those preferred by mandatory provision of law. The indenture does not limit the amount of additional indebtedness that we may incur.

Guarantee

The Royal Bank of Scotland Group plc, which we refer to as RBSG, will fully and unconditionally guarantee payment in full to the holders of the securities. The guarantee is set forth in, and forms a part of, the indenture under which the securities will be issued. If, for any reason, we do not make any required payment in respect of the securities when due, RBSG, as the guarantor thereof, will cause the payment to be made to or to the order of the applicable paying agent on behalf of the trustee. The holder of the guaranteed security may sue the guarantor to enforce its rights under the guarantee without first suing us or any other person or entity. The guarantees will constitute RBSG's unsecured and unsubordinated obligations and rank pari passu without any preference among them and with all RBSG's other present and future unsecured and unsubordinated obligations. RBSG may, without the consent of the holders of the securities, assume all of our rights and obligations under the securities and upon such assumption, we will be released from our liabilities with respect to the indenture and the securities. An assumption of our obligations under the securities might be deemed for U.S. federal income tax purposes to be an exchange of the securities for new securities by each beneficial owner, resulting in the recognition of taxable gain or loss and possibly other adverse tax consequences. You should consult your tax adviser regarding the U.S. federal, state and local income tax consequences of an assumption. Any payment in respect of the securities, including any repayment of your principal, will be subject to the credit risk of us and RBSG.

Listing

Unless provided for in the applicable pricing supplement, the securities will not be listed on any securities exchange or quotation system.

Payment at Maturity

Unless the applicable pricing supplement provides otherwise, or unless earlier redeemed, at maturity you will be entitled to receive your principal amount and any accrued and unpaid interest on the securities, subject to our credit risk as issuer of the securities, and the credit risk of RBSG, as the guarantor of our obligations under the securities. See "Risk Factors—The credit risk of The Royal Bank of Scotland plc and The Royal Bank of Scotland Group plc, and their credit ratings and credit spreads may adversely affect the value of the securities." If the maturity date of the securities falls on a day that is not a business day, we will make the required payment on the next business day and no additional interest will accrue in respect of the payment made on the next business day. If a security is issued with a term (from but excluding the settlement date to and including the maturity date, each as specified in the relevant pricing supplement) of one year or less, any postponement of the maturity date shall not cause the term (calculated as described above) to exceed one year.

Interest

General

If a security is issued with a term (from but excluding the settlement date to and including the maturity date, each as specified in the relevant pricing supplement) of one year or less, the provisions which follow will apply, but any postponement of the final interest payment date shall not cause the term of such security (calculated as described above) to exceed one year.

Interest on the securities may be payable annually, semi-annually, quarterly, monthly, or at such other intervals as shall be set forth in the applicable pricing supplement. The applicable pricing supplement will specify the interest payment dates applicable to your securities.

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Interest will be payable to the person in whose name a note is registered at the close of business on the regular record date before each interest payment date. Interest payable at maturity or on an Early Redemption Date, as applicable, will be payable to the person to whom principal is payable, and the paying agent will make the payment of interest on the maturity date or the Early Redemption Date, as applicable, whether or not that date is an interest payment date. Unless otherwise set forth in the applicable pricing supplement, the regular record date for an interest payment date is the date that is 15 calendar days prior to that interest payment date, whether or not that date is a business day. If the first interest payment date is less than 15 calendar days from the date of issuance of the securities, interest will not be paid on the first interest payment date, but will be paid on the second interest payment date.

Except in the case of a security that references EURIBOR or LIBOR as described below under “—Floating Rate Securities—If an Interest Payment Date Is Not a Business Day,” if any interest payment date of the securities falls on a day that is not a business day, no adjustment will be made to the length of the corresponding interest determination period; however, we will make the required payment on the next business day and no additional interest will accrue in respect of the payment made on the next business day.

Unless otherwise specified in the applicable pricing supplement, a “business day” means any day that is not a Saturday or Sunday or a day on which banking institutions in The City of New York are authorized or required by law, executive order or governmental decree to be closed.

Unless otherwise set forth in the applicable pricing supplement, interest will be calculated on the basis of a 360-day year of twelve 30-day months.

Range Accrual Notes

Unless otherwise set forth in the applicable pricing supplement, in respect of each interest determination period, interest on the securities will accrue at the applicable rate of interest (which may be a fixed rate or a floating rate) specified in the applicable pricing supplement times a fraction:

- the numerator of which is the total number of calendar days or Market Measure Business Days (as defined below), as specified in the applicable pricing supplement, in such interest determination period on which the level of the Market Measure is within the Reference Range; and
- the denominator of which is the total number of calendar days or Market Measure Business Days, as applicable, in such interest determination period.

Interest on the securities may be payable annually, semi-annually, quarterly, monthly, or at such other intervals as will be set forth in the applicable pricing supplement.

Unless otherwise set forth in the applicable pricing supplement, for each interest determination period, interest on the securities will accrue at a rate per annum calculated by reference to the following formula:

Where:

- “R” is the rate of interest per annum specified in the applicable pricing supplement for that interest determination period. Unless otherwise set forth in the applicable pricing supplement, “R” will be a fixed or floating interest rate. “R” may be a base rate as described further below under “Description of the Securities—Base Rates,” and may be modified by a Spread or a Spread Multiplier specified in the applicable pricing supplement, as described below.

- “N” is the total number of calendar days or Market Measure Bus