

ROYAL BANK OF SCOTLAND PLC
Form 424B5
October 06, 2011

The information in this preliminary pricing supplement is not complete and may be changed. A registration statement relating to the securities has been filed with the Securities and Exchange Commission. This preliminary pricing supplement is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale of securities is not permitted.

Subject to Completion
Preliminary Pricing Supplement dated October 6, 2011

Preliminary Pricing Supplement No. 117
to Product Prospectus Supplement No. PRCN-2
dated September 1, 2011
and Prospectus dated May 18, 2010

Filed pursuant to Rule 424(b)(5)
Registration Statement Nos. 333-162219 and
333-162219-01
October 6, 2011

The Royal Bank of Scotland plc (Issuer)
The Royal Bank of Scotland Group plc (Guarantor)

\$
RBS Annual Reset Coupon Notes with Fixed Buffer
Linked to the S&P 500® Index

n Coupons payable on the 31st of each October,
commencing on October 31, 2012.

n The coupon rate will be (i) a Minimum Annual
Coupon of 3.00% per annum if the level of the S&P
500® Index decreases from the start to the end of the
corresponding 12-month Observation Period or (ii) a
Maximum Annual Coupon of 7.80% per annum if the
level of the S&P 500® Index remains unchanged or
increases from the start to the end of the corresponding
12-month Observation Period.

n Full downside exposure at maturity to any decrease in
the level of the S&P 500® Index in excess of the 20%
Buffer Amount. Potential for substantial loss if the level
of the S&P 500® Index falls below the Buffer Value.

n No upside participation at maturity in any increase in
the level of the S&P 500® Index. 100% repayment of
face value at maturity only if the level of the S&P 500®
Index does not decrease from the Initial Value by more
than the 20% Buffer Amount.

n Coupon payments and payment at maturity are subject
to the creditworthiness of The Royal Bank of Scotland

\$1,000 Original Offering Price per RBS Annual Reset
Coupon Note with Fixed Buffer

Expected dates*:

Pricing Date: October 26, 2011

Settlement Date: October 31, 2011

Maturity Date: October 31, 2016

CUSIP / ISIN No.: 78009PBX8/

US78009PBX87

*Expected dates. The relevant dates referenced in this document are based on current expectation only and are subject to change. In the event that we make any change to the expected pricing date or settlement date, the expected Coupon Payment Dates, Observation Dates, Valuation Date and Maturity Date will also be changed. The stated term of the securities will remain the same. See also "Clearance and Settlement" on page PS-15 of this pricing supplement.

plc, as the issuer, and The Royal Bank of Scotland Group plc, as the guarantor of the issuer's obligations under the securities.

n 5-year term (approximately).

n No listing on any securities exchange.

The RBS Annual Reset Coupon Notes with Fixed Buffer Linked to the S&P 500® Index due October 31, 2016 (together with the related guarantees, the "securities") involve risks not associated with an investment in conventional debt securities. See "Risk Factors" beginning on page PS-8 of this pricing supplement and beginning on page S-16 of Product Prospectus Supplement No. PRCN-2 (the "product supplement").

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 the securities, or determined if this pricing supplement, the product supplement or the prospectus are truthful or complete. Any representation to the contrary is a criminal offense.

	Per security	Total
Original Offering Price (1)	\$1,000.00	\$
Underwriting discount	\$ 42.00	\$
Proceeds, before expenses, to The Royal Bank of Scotland plc	\$ 958.00	\$

(1) The value you might expect to receive if you were able to resell the securities on the pricing date is less than the Original Offering Price. This is because the Original Offering Price includes the underwriting discount set forth above and also reflects our cost of hedging our obligations under the securities. For additional information, 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" on page S-21 of the product supplement. The Original Offering Price also does not include fees that you may be charged if you buy the securities through your registered investment advisers for managed fee-based accounts.

RBS Securities Inc.
October , 2011

THE ROYAL BANK OF SCOTLAND PLC
RBS Annual Reset Coupon Notes with Fixed
Buffer
Linked to the S&P 500® Index due October 31,
2016

Summary

The RBS Annual Reset Coupon Notes with Fixed Buffer Linked to the S&P 500® Index due October 31, 2016 (together with the related guarantees, each, a “security” and collectively, the “securities”) are senior unsecured obligations issued by us, The Royal Bank of Scotland plc, and are fully and unconditionally guaranteed by our parent company, The Royal Bank of Scotland Group plc. The securities will rank equally with all of our senior unsecured indebtedness from time to time outstanding, and any payments due on the securities, including any coupon payments or repayment of your investment, will be subject to the ability of RBS, as the issuer of the securities, and RBSG, as the guarantor of the issuer’s obligations under the securities, to pay their respective obligations as they become due.

The securities provide investors with annual Coupon Payments which amount will depend on the performance of the S&P 500® Index (the “Underlying Equity Index”) during each individual Observation Period. An investor’s return on the securities, if any, will be limited to the Coupon Payments, which will never exceed the Maximum Annual Coupon. Investors will receive a Payment at Maturity equal to the Original Offering Price, only if the Final Value of the Underlying Equity Index does not decrease below the Buffer Value. If the Final Value of the Underlying Equity Index decreases below the Buffer Value, investors will be exposed to any such decrease below the Buffer Value on a one-for-one basis. Investors must be willing to accept the risk of losing some or a significant portion of their investment.

Capitalized terms used but not defined in this pricing supplement have the meanings set forth in the product supplement.

Key Terms

Issuer:	The Royal Bank of Scotland plc (“RBS”)
Guarantor:	The Royal Bank of Scotland Group plc (“RBSG”)
Original Offering Price:	\$1,000 per security
Term:	5 years (approximately)
Underlying Equity Index:	The S&P 500® Index (Bloomberg ticker: SPX)
Coupon Rate:	For each Observation Period, the Coupon Rate will be (i) the Minimum Annual Coupon of 3.00% per annum if the Ending Annual Value is less than the Starting Annual Value for such Observation Period (i.e., the Annual Return for such Observation Period is less than 0%) or (ii) the Maximum Annual Coupon of 7.80% per annum if the Ending Annual Value is greater than or equal to the Starting Annual Value for such Observation Period (i.e., the Annual Return for such Observation Period is greater than or equal to 0%).
Observation Period:	The period that will commence on, and include, an Observation Date, and extend to, and include, the immediately succeeding

Observation Dates:	<p>Observation Date.</p> <p>Expected to be October 26, 2011, October 26, 2012, October 26, 2013, October 26, 2014, October 26, 2015 and October 26, 2016. If a Market Disruption Event occurs or is continuing on the scheduled Observation Date or if the scheduled Observation Date is not a Market Measure Business Day, the Observation Date will be postponed as described in the accompanying product supplement under “Description of the Securities—The Initial Value, the Starting Periodic Value, the Final Value and the Ending Periodic Value” and “Description of the Securities—Market Disruption Events.”</p>
Coupon Payment Dates:	<p>Expected to be October 31, 2012, October 31, 2013, October 31, 2014, October 31, 2015 and October 31, 2016, subject to postponement if a scheduled Coupon Payment Date is not a business day or if a related Observation Date is postponed, as described in the accompanying product supplement under “Description of the Securities—Coupon Payments.” On each Coupon Payment Date, you will be entitled to receive a cash payment per security determined by the Calculation Agent as described on the following page.</p>
Starting Annual Value:	<p>The closing level of the Underlying Equity Index on the applicable Observation Date corresponding to the beginning of the relevant Observation Period.</p>
Ending Annual Value:	<p>The closing level of the Underlying Equity Index on the applicable Observation Date corresponding to the end of an Observation Period.</p>
Annual Return:	<p>Measures the percentage increase or decrease in the level of the Underlying Equity Index during each Observation Period from the Starting Annual Value to the Ending Annual Value and will be equal to:</p> $\frac{\text{Ending Annual Value} - \text{Starting Annual Value}}{\text{Starting Annual Value}}$
Initial Value:	<p>The closing level of the Underlying Equity Index on the pricing date. The Initial Value will be determined by the Calculation Agent and set forth in the final pricing supplement.</p>
Final Value:	<p>The closing level of the Underlying Equity Index on the Valuation Date.</p>
Reference Return:	<p>Measures the percentage increase or decrease in the level of the Underlying Equity Index over the term of the securities from the Initial Value to the Final Value, and will be equal to:</p> $\frac{\text{Final Value} - \text{Initial Value}}{\text{Initial Value}}$
Buffer Amount (%):	<p>20% (representing a protection against any decrease in the level of the Underlying Equity Index up to the Buffer Value).</p>
Buffer Value:	<p>80% of the Initial Value, rounded to two decimal places. The actual Buffer Value will be determined on the pricing date and set forth in the final pricing supplement.</p>
Valuation Date:	

Expected to be October 26, 2016, the third Market Measure Business Day before the Maturity Date. If a Market Disruption Event occurs or is continuing on the scheduled Valuation Date or if the scheduled Valuation Date is not a Market Measure Business Day, the Valuation Date will be postponed as described in the accompanying product supplement under “Description of the Securities—The Initial Value, the Starting Periodic Value, the Final Value and the Ending Periodic Value” and “Description of the Securities—Market Disruption Events.”

Maturity Date:

Expected to be October 31, 2016. If the Valuation Date is postponed, the Maturity Date will be the third business day following the Valuation Date, as postponed.

Payment at Maturity:

On the Maturity Date, you will be entitled to receive a cash payment per security determined by the Calculation Agent as described on the following page.

Calculation Agent:

RBS Securities Inc., an affiliate of RBS

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Determining the Coupon Payment

On each Coupon Payment Date, you will be entitled to receive a cash payment per security, annually in arrears, calculated as follows:

Determining the Payment at Maturity

On the Maturity Date, you will be entitled to receive a cash payment per security calculated as follows:

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Hypothetical Coupon Payment and Payment at Maturity Profiles

The potential return or loss on an investment in the securities will be based on the sum of (i) the total amount of Coupon Payments that you may receive over the term of the securities and (ii) the Payment at Maturity on the maturity date. For purposes of illustration only, the following tables and graph reflect (i) the hypothetical Coupon Payments per security for a range of hypothetical Annual Returns for the Observation Periods over the term of the securities and (ii) the hypothetical Payment at Maturity per security for a range of hypothetical Final Values of the S&P 500® Index from +100% to -100%. Because the S&P 500® Index is a price return index, the Final Values presented below will not include any income generated by dividends paid on the stocks included in the S&P 500® Index, which you would otherwise be entitled to receive if you invested in those stocks directly.

The illustrations below reflect the Minimum Annual Coupon of 3.00% per annum, the Maximum Annual Coupon of 7.80% per annum, the Buffer Amount of 20%, the hypothetical Initial Value of 1144.03 (the closing level of the Underlying Equity Index on October 5, 2011) and the hypothetical Buffer Value of 915.22 (80% of the hypothetical Initial Value, rounded to two decimal places). The actual Coupon Rates for any given Observation Period and the actual Coupon Payments payable on the securities will depend on the actual Starting Annual Values and the actual Ending Annual Values for such Observation Period. The actual Payment at Maturity that you are entitled to receive will depend on the actual Initial Value and Buffer Value, which will be determined on the pricing date and set forth in the final pricing supplement, and the actual Final Value, which will be determined on the Valuation Date.

Any payment on the securities (including the coupon payments and the payment at maturity) is subject to the ability of RBS, as the issuer of the securities, and RBSG, as the guarantor of the issuer's obligations under the securities, to pay their respective obligations as they become due.

HYPOTHETICAL COUPON PAYMENTS PER SECURITY(1)

	First Observation Period	Second Observation Period	Third Observation Period	Fourth Observation Period	Fifth Observation Period	Total Coupon Payments
Hypothetical Annual Return Scenarios						
If the Annual Return is less than 0% for each Observation Period:	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00	\$150.00
If the Annual Return is greater than or equal to 0% for the first Observation Period and less than 0% for all subsequent Observation Periods:	\$78.00	\$30.00	\$30.00	\$30.00	\$30.00	\$198.00
If the Annual Return is greater than or equal to 0% for the first two Observation Periods and less than 0% for all subsequent Observation Periods:	\$78.00	\$78.00	\$30.00	\$30.00	\$30.00	\$246.00

If the Annual Return is greater than or equal to 0% for the first three Observation Periods and less than 0% for all subsequent Observation

Periods:	\$78.00	\$78.00	\$78.00	\$30.00	\$30.00	\$294.00
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If the Annual Return is greater than or equal to 0% for the first four Observation Periods and less than 0% for the final Observation Period:

	\$78.00	\$78.00	\$78.00	\$78.00	\$30.00	\$342.00
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If the Annual Return is greater than or equal to 0% for each Observation Period:

	\$78.00	\$78.00	\$78.00	\$78.00	\$78.00	\$390.00(2)
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(1) If the Annual Return for an Observation Period is less than 0%, then the Coupon Rate for such Observation Period will be the Minimum Annual Coupon. If the Annual Return for an Observation Period is greater than or equal to 0%, then the Coupon Rate for such Observation Period will be the Maximum Annual Coupon.

(2) The maximum total return on your investment in the securities will never exceed 39.00% over the full term of the securities (or 7.80% per annum) regardless of the performance of the Underlying Equity Index during the term of the securities.

HYPOTHETICAL PAYMENT AT MATURITY

HYPOTHETICAL PAYMENT AT MATURITY PAYOUT PROFILE

Final Value	Reference Return	Payment at Maturity per Security (excluding the final Coupon Payment)
2288.06	100.00%	\$1,000.00
2173.66	90.00%	\$1,000.00
2059.25	80.00%	\$1,000.00
1944.85	70.00%	\$1,000.00
1830.45	60.00%	\$1,000.00
1716.05	50.00%	\$1,000.00
1601.64	40.00%	\$1,000.00
1487.24	30.00%	\$1,000.00
1372.84	20.00%	\$1,000.00
1258.43	10.00%	\$1,000.00
1144.03	0.00%	\$1,000.00
1029.63	-10.00%	\$1,000.00
915.22	-20.00%	\$1,000.00
800.82	-30.00%	\$900.00
686.42	-40.00%	\$800.00
572.02	-50.00%	\$700.00
457.61	-60.00%	\$600.00
343.21	-70.00%	\$500.00
228.81	-80.00%	\$400.00
114.40	-90.00%	\$300.00

This graph reflects the hypothetical Payment at Maturity (excluding the final Coupon Payment). The green line reflects the hypothetical Payment at Maturity (excluding the final Coupon Payment), while the dotted line reflects the return of a hypothetical direct investment in the Underlying Equity Index, excluding dividends.

0.00 -100.00% \$200.00

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Hypothetical Total Payment Profile

The potential return or loss on an investment in the securities will be based on the sum of (i) the total amount of Coupon Payments that you may receive over the term of the securities and (ii) the Payment at Maturity on the maturity date. For purposes of illustration only, the table below illustrates the total payments on the securities for a range of hypothetical scenarios, reflecting the following values and hypothetical data:

- the Buffer Amount of 20% (representing a protection against any decrease in the level of the Underlying Equity Index up to the Buffer Value);
- the hypothetical Initial Value of 1144.03 (the closing level of the Underlying Equity Index on October 5, 2011); and
- the hypothetical Buffer Value of 915.22 (80% of the hypothetical Initial Value, rounded to two decimal places).

Any payment at maturity is subject to the ability of RBS, as the issuer of the securities, and RBSG, as the guarantor of the issuer's obligations under the securities, to pay their respective obligations as they become due.

HYPOTHETICAL TOTAL PAYMENTS ON THE SECURITIES

		A	B	A + B	
		Payment at Maturity per Security (excluding the final Coupon Payment)	Total Coupon Payments per Security(1)	Total Payment per Security	Total Return per Security
Final Value	Reference Return				
2288.06	100.00%	\$1,000.00	\$246.00	\$1,246.00	24.60%
2173.66	90.00%	\$1,000.00	\$294.00	\$1,294.00	29.40%
2059.25	80.00%	\$1,000.00	\$198.00	\$1,198.00	19.80%
1944.85	70.00%	\$1,000.00	\$294.00	\$1,294.00	29.40%
1830.45	60.00%	\$1,000.00	\$198.00	\$1,198.00	19.80%
1716.05	50.00%	\$1,000.00	\$294.00(2)	\$1,294.00	29.40%
1601.64	40.00%	\$1,000.00	\$246.00(3)	\$1,246.00	24.60%
1487.24	30.00%	\$1,000.00	\$294.00	\$1,294.00	29.40%
1372.84	20.00%	\$1,000.00	\$198.00(4)	\$1,198.00	19.80%
1258.43	10.00%	\$1,000.00	\$198.00(4)	\$1,198.00	19.80%
1144.03	0.00%	\$1,000.00	\$198.00	\$1,198.00	19.80%
1029.63	-10.00%	\$1,000.00	\$150.00	\$1,150.00	15.00%
915.22	-20.00%	\$1,000.00	\$150.00(5)	\$1,150.00	15.00%
800.82	-30.00%	\$900.00	\$150.00	\$1,050.00	5.00%

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686.42	-40.00%	\$800.00	\$150.00(5)	\$950.00	-5.00%
572.02	-50.00%	\$700.00	\$150.00	\$850.00	-15.00%
457.61	-60.00%	\$600.00	\$150.00	\$750.00	-25.00%
343.21	-70.00%	\$500.00	\$150.00	\$650.00	-35.00%
228.81	-80.00%	\$400.00	\$150.00	\$550.00	-45.00%
114.40	-90.00%	\$300.00	\$150.00	\$450.00	-55.00%
0.00	-100.00%	\$200.00	\$150.00	\$350.00	-65.00%

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- (1) The total Coupon Payments per security will depend on the Annual Return for each Observation Period over the 5-year term of the securities. The total Coupon Payments per security can range from a minimum of \$150.00 (if the Annual Return is less than 0% for each Observation Period) to a maximum of \$390.00 (if the Annual Return is greater than or equal to 0% for each Observation Period). For purposes of illustration, the above table shows a few examples of hypothetical total Coupon Payments over the 5-year term of the securities, assuming a range of Annual Return scenarios. The actual Coupon Payments payable on the securities will depend on the actual Annual Return for each Observation Period.
- (2) We have assumed for purposes of this illustration that the Annual Return is greater than or equal to 0% for three Observation Periods, and less than 0% for two Observation Periods, resulting in total Coupon Payments per security over the 5-year term of the securities of \$294.00. See Example 6 on page PS-7.
- (3) We have assumed for purposes of this illustration that the Annual Return is greater than or equal to 0% for two Observation Periods, and less than 0% for three Observation Periods, resulting in total Coupon Payments per security over the 5-year term of the securities of \$246.00. See Example 5 on page PS-7.
- (4) We have assumed for purposes of this illustration that the Annual Return is greater than or equal to 0% for one Observation Period, and less than 0% for all other Observation Periods, resulting in total Coupon Payments per security over the 5-year term of the securities of \$198.00. See Example 3 on page PS-6 and Example 4 on page PS-7.
- (5) If the hypothetical Final Value is less than the hypothetical Initial Value, we have assumed for purposes of illustration that the Annual Return is less than 0% for each of the five Observation Periods, resulting in total Coupon Payments per security over the 5-year term of the securities of \$150.00. See Example 1 and Example 2 on page PS-6.

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Examples of Coupon Payment and Payment at Maturity Calculations

For each of the examples below:

- If the Annual Return is less than 0% for an Observation Period (i.e., the Ending Annual Value is less than the Starting Annual Value for such Observation Period), the Coupon Rate for such Observation Period will be equal to the Minimum Annual Coupon of 3.00% per annum, and the Coupon Payment for such Observation Period will equal \$30.00 per security; and
- If the Annual Return is greater than or equal to 0% for an Observation Period (i.e., the Ending Annual Value is greater than or equal to the Starting Annual Value for such Observation Period), the Coupon Rate for such Observation Period will be equal to the Maximum Annual Coupon of 7.80% per annum, and the Coupon Payment for such Observation Period will equal \$78.00 per security.

EXAMPLE 1 — The hypothetical Annual Return is less than 0% for each Observation Period. In addition, the hypothetical Final Value is 686.42 (which is 40% below the hypothetical Initial Value), representing a decrease in the level of the Underlying Equity Index from the Initial Value by more than the Buffer Amount:

Total Coupon Payments over the term of the security:

$$\$30.00 + \$30.00 + \$30.00 + \$30.00 + \$30.00 = \$150.00$$

$$\text{Reference Return} = \frac{686.42 - 1144.03}{1144.03} = -40\%$$

$$\text{Payment at Maturity (per security)} = \$1,000 + [\$1,000 \times (-40\% + 20\%)] = \$800$$

Total payments over the term of the securities:

$$\text{Total Coupon Payments} + \text{Payment at Maturity} = \$150.00 + \$800.00$$

$$= \$950.00 \text{ per security (i.e., a 5.00\% loss over the 5-year term of the securities)}$$

If the level of the Underlying Equity Index has decreased from the Initial Value to the Final Value by a percentage that is greater than the Buffer Amount (i.e., if the Final Value is less than the Buffer Value), your investment will be fully exposed to any decline of the Underlying Equity Index beyond the Buffer Amount, and you could lose some or a significant portion (up to 80% of the Original Offering Price) of your investment. The annual Coupon Payments may not be sufficient to offset such loss.

EXAMPLE 2 — The hypothetical Annual Return is less than 0% for each Observation Period. In addition, the hypothetical Final Value is 915.22 (which is 20% below the hypothetical Initial Value), representing a decrease in the level of the Underlying Equity Index from the Initial Value by a percentage that is not greater than the Buffer Amount:

Total Coupon Payments over the term of the security:

$$\$30.00 + \$30.00 + \$30.00 + \$30.00 + \$30.00 = \$150.00$$

Payment at Maturity (per security) = \$1,000

Total payments over the term of the securities:

$$\text{Total Coupon Payments} + \text{Payment at Maturity} = \$150.00 + \$1,000.00$$

$$= \$1,150.00 \text{ per security (i.e., a 15.00\% return over the 5-year term of the securities)}$$

If the level of the Underlying Equity Index has decreased from the Initial Value to the Final Value by a percentage that is not greater than the Buffer Amount (i.e., if the Final Value is less than the Initial Value, but is equal to or greater than the Buffer Value), the Payment at Maturity will equal the \$1,000 Original Offering Price and your return on the securities will be limited to the Coupon Payments.

EXAMPLE 3 — The hypothetical Annual Return is greater than or equal to 0% for one Observation Period and less than 0% for all other Observation Periods. In addition, the hypothetical Final Value is 1258.43 (which is 10% above the hypothetical Initial Value):

Total Coupon Payments over the term of the security:

$$\$78.00 + \$30.00 + \$30.00 + \$30.00 + \$30.00 = \$198.00$$

Payment at Maturity (per security) = \$1,000

Total payments over the term of the securities:

$$\text{Total Coupon Payments} + \text{Payment at Maturity} = \$198.00 + \$1,000.00$$

$$= \$1,198.00 \text{ per security (i.e., a 19.80\% return over the 5-year term of the securities)}$$

If the level of the Underlying Equity Index has increased from the Initial Value to the Final Value, the Payment at Maturity will equal the \$1,000 Original Offering Price. In no event will the Payment at Maturity exceed the Original Offering Price regardless of how well the Underlying Equity Index performs. Your return on the securities, if any, will depend solely on the Coupon Payments.

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EXAMPLE 4 — The hypothetical Annual Return is greater than or equal to 0% for one Observation Period and less than 0% for all other Observation Periods. In addition, the hypothetical Final Value is 1372.84 (which is 20% above the hypothetical Initial Value):

Total Coupon Payments over the term of the security:

$$\$78.00 + \$30.00 + \$30.00 + \$30.00 + \$30.00 = \$198.00$$

Payment at Maturity (per security) = \$1,000

Total payments over the term of the securities:

$$\text{Total Coupon Payments} + \text{Payment at Maturity} = \$198.00 + \$1,000.00$$

$$= \$1,198.00 \text{ per security (i.e., a 19.80\% return over the 5-year term of the securities)}$$

If the level of the Underlying Equity Index has increased from the Initial Value to the Final Value, the Payment at Maturity will equal the \$1,000 Original Offering Price. In no event will the Payment at Maturity exceed the Original Offering Price regardless of how well the Underlying Equity Index performs. Your return on the securities, if any, will depend solely on the Coupon Payments.

EXAMPLE 5 — The hypothetical Annual Return is greater than or equal to 0% for two Observation Periods and less than 0% for all other Observation Periods. In addition, the hypothetical Final Value is 1601.64 (which is 40% above the hypothetical Initial Value):

Total Coupon Payments over the term of the security:

$$\$78.00 + \$780.00 + \$30.00 + \$30.00 + \$30.00 = \$246.00$$

Payment at Maturity (per security) = \$1,000

Total payments over the term of the securities:

$$\text{Total Coupon Payments} + \text{Payment at Maturity} = \$246.00 + \$1,000.00$$

$$= \$1,246.00 \text{ per security (i.e., a 24.60\% return over the 5-year term of the securities)}$$

If the level of the Underlying Equity Index has increased from the Initial Value to the Final Value, the Payment at Maturity will equal the \$1,000 Original Offering Price. In no event will the Payment at Maturity exceed the Original

Offering Price regardless of how well the Underlying Equity Index performs. Your return on the securities, if any, will depend solely on the Coupon Payments.

EXAMPLE 6 — The hypothetical Annual Return is greater than or equal to 0% for three Observation Period and less than 0% for all other Observation Periods. In addition, the hypothetical Final Value is 1716.05 (which is 50% above the hypothetical Initial Value):

Total Coupon Payments over the term of the security:

$$\$78.00 + \$78.00 + \$78.00 + \$30.00 + \$30.00 = \$294.00$$

Payment at Maturity (per security) = \$1,000

Total payments over the term of the securities:

$$\text{Total Coupon Payments} + \text{Payment at Maturity} = \$294.00 + \$1,000.00$$

= \$1,294.00 per security (i.e., a 29.40% return over the 5-year term of the securities)

If the level of the Underlying Equity Index has increased from the Initial Value to the Final Value, the Payment at Maturity will equal the \$1,000 Original Offering Price. In no event will the Payment at Maturity exceed the Original Offering Price regardless of how well the Underlying Equity Index performs. Your return on the securities, if any, will depend solely on the Coupon Payments.

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Risk Factors

There are important differences between the securities and a conventional debt security. An investment in the securities involves significant risks, including those listed below. You should carefully review the more detailed explanation of risks relating to the securities in the “Risk Factors” sections beginning on page S-16 of the product supplement. We also urge you to consult with your investment, legal, accounting, tax, and other advisors before you invest in the securities.

- The securities are not conventional debt securities. You may lose some or a significant portion of your investment in the securities.
- 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 their ability to pay all amounts due on the securities.
- Your return on the securities is entirely dependent on the performance of the Underlying Equity Index during each Observation Period.
 - You may receive below-market Coupon Payments in respect of one or more Observation Periods.
 - You may receive only a limited amount of Coupon Payments in respect of one or more Observation Periods.
- The return on your initial investment is limited to the annual Coupon Payments, which will never exceed the Maximum Annual Coupon.
- The Coupon Payments may not be sufficient to offset potential losses from the Payment at Maturity.
- The Payment at Maturity will not exceed the Original Offering Price regardless of how well the Underlying Equity Index performs from the Initial Value to the Final Value.
- The Payment at Maturity will depend on the Final Value, which is determined only on a valuation date shortly before the maturity date, and will not depend on the performance of the Underlying Equity Index during any one or more individual Observation Periods.
 - The securities may not be a suitable investment for you.
- 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 will not be listed on any securities exchange and there may be little or no secondary market for the securities.

- The value of the securities prior to maturity will be influenced by many unpredictable factors, and may be less than the Original Offering Price.
- 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 in the section of the product supplement entitled “Description of the Securities—Optional Tax Redemption,” the amount of cash you will be entitled to receive upon redemption of the securities is uncertain.
- An increase in the level of the Underlying Equity Index may not increase the value of your 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.
- Hedging and trading activities by us or our affiliates may adversely affect your return on the securities and the value of the securities.
- The holding of securities by our affiliates and future sales by our affiliates could be in conflict with your interests.
- There may be potential conflicts of interest between security holders and the calculation agent or other of our affiliates.
- 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 value of the Underlying Equity Index and therefore the value of the securities.
- The U.S. federal income tax consequences of an investment in the securities are unclear.
- An investment in the securities is not the same as a direct investment in the Underlying Equity Index or in the securities that comprise the Underlying Equity Index.
- Adjustments to the Underlying Equity Index could adversely affect the securities.
- We may engage in business with or involving one or more of the issuers of the securities comprising the Underlying Equity Index without regard to your interests.
- We do not control any issuer whose securities comprise the Underlying Equity Index and we are not responsible for any of their disclosure.

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Investor Considerations

You may wish to consider an investment in the securities if:

- You anticipate that the level of the Underlying Equity Index will remain unchanged or will increase moderately from the Starting Annual Value to the Ending Annual Value during the Observation Periods.
- You seek periodic cash coupons per security, you understand that such cash coupons comprise the only return, if any, on your investment and you believe that such cash coupons will provide a sufficient return on your investment.
- You accept that your investment may result in a loss, which could be significant, if the Final Value of the Underlying Equity Index is less than the Initial Value by an amount that exceeds the Buffer Amount and, in such event, you understand that the periodic cash coupons may not be sufficient to offset potential losses at maturity.
- You accept that the return on the securities, if any, will not exceed the Maximum Annual Coupon during the term of the securities and that the Payment at Maturity will not exceed the Original Offering Price.
- You seek exposure to the performance of the Underlying Equity Index with no expectation of dividends or other benefits of owning the securities comprising the Underlying Equity Index.
- You are willing to forgo market rates of interest on the securities such as fixed or floating rate interest paid on conventional interest-bearing debt securities.
- 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.
- You are willing to make an investment, the payments on which depend on the creditworthiness of RBS, as the issuer of the securities, and RBSG, as the guarantor of the issuer's obligations under the securities.

The securities may not be an appropriate investment for you if:

- You believe that the level of the Underlying Equity Index will decrease from the Initial Value by a percentage that exceeds its Buffer Amount.
- You seek full principal protection or preservation of capital invested.
- You are unwilling or unable to be exposed to the performance of the Underlying Equity Index.

- You seek a return on your investment that will not be capped at the Maximum Annual Coupon and a Payment at Maturity that will not be limited to the Original Offering Price.
- You want to receive dividends or other distributions paid on the securities included in the Underlying Equity Index.
- You seek assurances that there will be a liquid market if and when you want to sell the securities prior to maturity.
- You are unwilling or are unable to assume the credit risk associated with RBS, as the issuer, and RBSG, as the guarantor of the issuer's obligations under the securities.

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The Underlying Equity Index

We have derived all information contained in this pricing supplement regarding the S&P 500® Index, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by, Standard & Poor's Financial Services, LLC ("S&P"). We make no representation or warranty as to the accuracy or completeness of such information. The S&P 500® Index was developed by S&P and is calculated, maintained and published by S&P. S&P has no obligation to continue to publish, and may discontinue the publication of, the S&P 500® Index.

The S&P 500® Index is reported by Bloomberg L.P. under the ticker symbol "SPX."

The S&P 500® Index is intended to provide a performance benchmark for the U.S. equity markets. The calculation of the level of the S&P 500® Index (discussed below in further detail) is based on the relative value of the aggregate Market Value (as defined below) of the common stocks of 500 companies (the "S&P Component Stocks") as of a particular time as compared to the aggregate average Market Value of the common stocks of 500 similar companies during the base period of the years 1941 through 1943. Historically, the "Market Value" of any S&P Component Stock was calculated as the product of the market price per share and the number of the then-outstanding shares of such S&P Component Stock. As discussed below, on March 21, 2005, S&P began to use a new methodology to calculate the Market Value of the S&P Component Stocks and on September 16, 2005, S&P completed its transition to the new calculation methodology. The 500 companies are not the 500 largest companies listed on the New York Stock Exchange (the "NYSE") and not all 500 companies are listed on such exchange. S&P chooses companies for inclusion in the S&P 500® Index with the objective of achieving a distribution by broad industry groupings that approximates the distribution of these groupings in the common stock population of the U.S. equity market. S&P may from time to time, in its sole discretion, add companies to, or delete companies from, the S&P 500® Index to achieve the objectives stated above. Relevant criteria employed by S&P include the viability of the particular company, the extent to which that company represents the industry group to which it is assigned, the extent to which the company's common stock is widely-held and the Market Value and trading activity of the common stock of that company.

On March 21, 2005, S&P began to calculate the S&P 500® Index based on a half float-adjusted formula, and on September 16, 2005, the S&P 500® Index became fully float-adjusted. S&P's criteria for selecting stocks for the S&P 500® Index was not changed by the shift to float adjustment. However, the adjustment affects each company's weight in the S&P 500® Index (i.e., its Market Value).

Under float adjustment, the share counts used in calculating the S&P 500® Index reflect only those shares that are available to investors, not all of a company's outstanding shares. S&P defines three groups of shareholders whose holdings are subject to float adjustment:

- holdings by other publicly traded corporations, venture capital firms, private equity firms, strategic partners, or leveraged buyout groups;
- holdings by government entities, including all levels of government in the United St