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**LaunchPAD Programme**

**Supplementary Prospectus dated 13 May 2013**

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**NINTH SUPPLEMENT TO THE BASE PROSPECTUS IN RESPECT OF THE LAUNCHPAD  
PROGRAMME FOR THE ISSUANCE OF NOTES**



**The Royal Bank of Scotland Group plc**

*(incorporated in Scotland with limited liability under the Companies Acts 1948 to 1980,  
registered number SC045551)  
(the “Issuer” and “RBSG”)*

**The Royal Bank of Scotland Group plc**

**LaunchPAD Programme**

**(the “Programme”)**

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- 1** This supplement dated 13 May 2013 (this “**Supplement**”) constitutes the ninth supplement to the base prospectus dated 27 June 2012 in relation to the Issuer’s LaunchPAD Programme for the issuance of Notes approved by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, the “**AFM**”) on 27 June 2012 (the “**Base Prospectus**”).
  - 2** The Base Prospectus was approved as a base prospectus pursuant to Directive 2003/71/EC (the “**Prospectus Directive**”) by the AFM. This Supplement constitutes a supplemental prospectus to the Base Prospectus for the purposes of Article 5:23 of the Financial Supervision Act (*Wet op het financieel toezicht*).
  - 3** This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus and any other supplements thereto issued by the Issuer. Terms defined in the Base Prospectus have the same meaning when used in this Supplement.
  - 4** In accordance with Article 5:23(6) of the Financial Supervision Act (*Wet op het financieel toezicht*), investors who have agreed to purchase or subscribe for securities issued under the Base Prospectus before this Supplement is published have the right, exercisable before the end of the period of two working days beginning with the working day after the date on which this Supplement was published, to withdraw their acceptances.

- 5 The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 6 On 9 May 2013, RBSG published via the Regulatory News Service of the London Stock Exchange plc a press release entitled “RBS announces planned management changes” (the “**9 May RNS**”).
- 7 By virtue of this Supplement, the 9 May RNS shall be incorporated in, and form part of, the Base Prospectus.
- 8 A copy of this Supplement, the Base Prospectus and all other supplements thereto and all documents incorporated by reference in the Base Prospectus are accessible on <http://markets.rbs.com/bparchive> or <http://markets.rbs.com/launchpad> and can be obtained from the registered office of the Issuer at 36 St. Andrew Square, Edinburgh EH2 2YB, United Kingdom, telephone +33 131 523 3636.
- 9 If the documents which are incorporated by reference in the Base Prospectus by virtue of this Supplement themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of the Base Prospectus for the purposes of the Prospectus Directive except where such information or other documents are specifically incorporated by reference in, or attached to, the Base Prospectus by virtue of this Supplement.
- 10 To the extent that there is any inconsistency between (a) any statement in this Supplement and (b) any other statement in the Base Prospectus or any previous supplement to the Base Prospectus, the statements referred to in (a) above will prevail.
- 11 Save as disclosed in any previous supplement to the Base Prospectus or this Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus (as supplemented at the date hereof) has arisen or been noted since the publication of the Base Prospectus.

**The Royal Bank of Scotland Group plc**

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**LaunchPAD Programme**

**Supplementary Prospectus dated 3 May 2013**

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**EIGHTH SUPPLEMENT TO THE BASE PROSPECTUS IN RESPECT OF THE LAUNCHPAD  
PROGRAMME FOR THE ISSUANCE OF NOTES**



**The Royal Bank of Scotland Group plc**

*(incorporated in Scotland with limited liability under the Companies Acts 1948 to 1980,  
registered number SC045551)  
(the “Issuer” and “RBSG”)*

**The Royal Bank of Scotland Group plc**

**LaunchPAD Programme**

**(the “Programme”)**

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- 1** This supplement dated 3 May 2013 (this “**Supplement**”) constitutes the eighth supplement to the base prospectus dated 27 June 2012 in relation to the Issuer’s LaunchPAD Programme for the issuance of Notes approved by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, the “**AFM**”) on 27 June 2012 (the “**Base Prospectus**”).
- 2** The Base Prospectus was approved as a base prospectus pursuant to Directive 2003/71/EC (the “**Prospectus Directive**”) by the AFM. This Supplement constitutes a supplemental prospectus to the Base Prospectus for the purposes of Article 5:23 of the Financial Supervision Act (*Wet op het financieel toezicht*).
- 3** This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus and any other supplements thereto issued by the Issuer. Terms defined in the Base Prospectus have the same meaning when used in this Supplement.
- 4** In accordance with Article 5:23(6) of the Financial Supervision Act (*Wet op het financieel toezicht*), investors who have agreed to purchase or subscribe for securities issued under the Base Prospectus before this Supplement is published have the right, exercisable before the end of the period of two working days beginning with the working day after the date on which this Supplement was published, to withdraw their acceptances.

- 5 The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 6 On 3 May 2013, RBSG published via the Regulatory News Service of the London Stock Exchange plc (“RNS”) the unaudited Interim Management Statement Q1 2013 of RBSG (the “**RBSG Interim Management Statement**”).
- 7 By virtue of this Supplement, the RBSG Interim Management Statement shall be incorporated in, and form part of, the Base Prospectus.
- 8 By virtue of this Supplement, the first paragraph under the heading “No Significant Change and No Material Adverse Change” in the section entitled “General Information” in the Base Prospectus, shall be deleted in its entirety and replaced with the following paragraph:

“There has been no significant change in the trading or financial position of the Group taken as a whole since 31 March 2013 (the end of the last financial period for which either audited financial information or interim financial information of the Group has been published).”.
- 9 A copy of this Supplement, the Base Prospectus and all other supplements thereto and all documents incorporated by reference in the Base Prospectus are accessible on <http://markets.rbs.com/bparchive> or <http://markets.rbs.com/launchpad> and can be obtained from the registered office of the Issuer at 36 St. Andrew Square, Edinburgh EH2 2YB, United Kingdom, telephone +33 131 523 3636.
- 10 If the documents which are incorporated by reference in the Base Prospectus by virtue of this Supplement themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of the Base Prospectus for the purposes of the Prospectus Directive except where such information or other documents are specifically incorporated by reference in, or attached to, the Base Prospectus by virtue of this Supplement.
- 11 To the extent that there is any inconsistency between (a) any statement in this Supplement and (b) any other statement in the Base Prospectus or any previous supplement to the Base Prospectus, the statements referred to in (a) above will prevail.
- 12 Save as disclosed in any previous supplement to the Base Prospectus or this Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus (as supplemented at the date hereof) has arisen or been noted since the publication of the Base Prospectus.

**The Royal Bank of Scotland Group plc**

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**LaunchPAD Programme**

**Supplementary Prospectus dated 8 April 2013**

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**SEVENTH SUPPLEMENT TO THE BASE PROSPECTUS IN RESPECT OF THE  
LAUNCHPAD PROGRAMME FOR THE ISSUANCE OF NOTES**



**The Royal Bank of Scotland Group plc**

*(incorporated in Scotland with limited liability under the Companies Acts 1948 to 1980,  
registered number SC045551)  
(the “Issuer” and “RBSG”)*

**The Royal Bank of Scotland Group plc**

**LaunchPAD Programme**

**(the “Programme”)**

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- 1** This supplement dated 8 April 2013 (this “**Supplement**”) constitutes the seventh supplement to the base prospectus dated 27 June 2012 in relation to the Issuer’s LaunchPAD Programme for the issuance of Notes approved by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, the “**AFM**”) on 27 June 2012 (the “**Base Prospectus**”).
- 2** The Base Prospectus was approved as a base prospectus pursuant to Directive 2003/71/EC (the “**Prospectus Directive**”) by the AFM. This Supplement constitutes a supplemental prospectus to the Base Prospectus for the purposes of Article 5:23 of the Financial Supervision Act (*Wet op het financieel toezicht*).
- 3** This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus and any other supplements thereto issued by the Issuer. Terms defined in the Base Prospectus have the same meaning when used in this Supplement.
- 4** In accordance with Article 5:23(6) of the Financial Supervision Act (*Wet op het financieel toezicht*), investors who have agreed to purchase or subscribe for securities issued under the Base Prospectus before this Supplement is published have the right, exercisable before the end of the period of two working days beginning with the working day after the date on which this Supplement was published, to withdraw their acceptances.

- 5 The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 6 On 27 March 2013, RBSG published via RNS its annual report and accounts for the year ended 31 December 2012 (the “**2012 Annual Report and Accounts of RBSG**”).
- 7 On 13 March 2013, RBSG announced a further sale of Direct Line Group (“**DLG**”) ordinary shares held by RBSG, reducing RBSG’s ownership of DLG below the 50 per cent. level (the “**DLG Share Sale**”). As a result, DLG has ceased to be a principal subsidiary undertaking of RBSG.
- 8 By virtue of this Supplement, the following sections of the 2012 Annual Report and Accounts of RBSG shall be deemed to be incorporated in, and form part of, the Base Prospectus:
  - (i) Independent auditor’s report on page 352;
  - (ii) Consolidated income statement on page 353;
  - (iii) Consolidated statement of comprehensive income on page 354;
  - (iv) Consolidated balance sheet on page 355;
  - (v) Consolidated statement of changes in equity on pages 356 to 358;
  - (vi) Consolidated cash flow statement on page 359;
  - (vii) Accounting policies on pages 360 to 372;
  - (viii) Notes on the consolidated accounts on pages 373 to 474;
  - (ix) Parent company financial statements and notes on pages 475 to 486;
  - (x) Essential reading – Highlights on pages 2 to 3;
  - (xi) Chairman’s statement on pages 10 to 11;
  - (xii) Group Chief Executive’s review on pages 12 to 13;
  - (xiii) Our key targets on page 15;
  - (xiv) Our business and our strategy on pages 16 to 20;
  - (xv) Divisional review on pages 21 to 32;
  - (xvi) Business review on pages 36 to 293;
  - (xvii) Corporate governance on pages 303 to 308;
  - (xviii) Letter from the Chair of the Group Performance and Remuneration Committee on pages 320 to 321;
  - (xix) Directors’ remuneration report on pages 322 to 342;
  - (xx) Compliance report on pages 343 to 344;
  - (xxi) Report of the Directors on pages 345 to 349;
  - (xxii) Statement of directors’ responsibilities on page 350;
  - (xxiii) Financial Summary on pages 488 to 497;

- (xxiv) Exchange rates on page 498;
  - (xxv) Economic and monetary environment on page 499;
  - (xxvi) Supervision on page 500;
  - (xxvii) Description of property and equipment on page 501;
  - (xxviii) Major shareholders on page 501;
  - (xxix) Material contracts on pages 501 to 502; and
  - (xxx) Glossary of terms on pages 528 to 535.
- 9** The following amendments are made to the Base Prospectus as a result of the publication (and incorporation by reference into the Base Prospectus, by virtue of this Supplement) of the 2012 Annual Report and Accounts of RBSG and as a result of the DLG Share Sale:
- 9.1 the following documents (or sections of documents, as the case may be) shall no longer be incorporated by reference:
    - 9.1.1 the unaudited annual results of the Issuer for the year ended 31 December 2012, which were published via RNS on 28 February 2012;
    - 9.1.2 all sections previously incorporated by reference, of the 2010 annual report and accounts of the Issuer, which were published via RNS on 17 March 2011;
    - 9.1.3 the sub-section entitled “No Significant Change and No Material Adverse Change” in the section of the registration document of the Issuer dated 12 March 2013 entitled “General Information”; and
  - 9.2 two new sub-sections entitled “Recent Developments” and “No Significant Change and No Material Adverse Change”, as set out in the Schedule, shall be inserted immediately after the sub-section entitled “Listing” in the section of the Base Prospectus entitled “General Information”.
- 10** Following the grant of a direction by the Prudential Regulation Authority, the Issuer is no longer in breach of certain current rules relevant to intra-group exposures, and the sub-section entitled “Large exposure regime” on page 25 of the registration document of the Issuer dated 12 March 2013 shall be deemed to be deleted and no longer to be incorporated by reference into the Base Prospectus.
- 11** A copy of this Supplement, the Base Prospectus and all other supplements thereto and all documents incorporated by reference in the Base Prospectus are accessible on <http://markets.rbs.com/bparchive> or <http://markets.rbs.com/launchpad> and can be obtained from the registered office of the Issuer at 36 St. Andrew Square, Edinburgh EH2 2YB, United Kingdom, telephone +33 131 523 3636.
- 12** If the documents which are incorporated by reference in the Base Prospectus by virtue of this Supplement themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of the Base Prospectus for the purposes of the Prospectus Directive except where such information or other documents are specifically incorporated by reference in, or attached to, the Base Prospectus by virtue of this Supplement.
- 13** To the extent that there is any inconsistency between (a) any statement in this Supplement and (b) any other statement in the Base Prospectus or any previous supplement to the Base Prospectus, the statements referred to in (a) above will prevail.

- 14** Save as disclosed in any previous supplement to the Base Prospectus or this Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus (as supplemented at the date hereof) has arisen or been noted since the publication of the Base Prospectus.

**The Royal Bank of Scotland Group plc**

## Schedule

### Recent Developments

#### *Direct Line Group – Further Share Sale*

On 13 March 2013, the Group announced a further sale of Direct Line Group (“**DLG**”) ordinary shares held by the Group, reducing the Group’s ownership of DLG below the 50 per cent. level. As a result, DLG has ceased to be a principal subsidiary undertaking of RBSG.

#### **No Significant Change and No Material Adverse Change**

There has been no significant change in the financial position of the Group taken as a whole since 31 December 2012 (the end of the last financial period for which audited financial information of the Group has been published).

There has been no material adverse change in the prospects of the Group taken as a whole since 31 December 2012 (the date of the last published audited financial information of the Group).

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**LaunchPAD Programme**

**Supplementary Prospectus dated 22 March 2013**

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**SIXTH SUPPLEMENT TO THE BASE PROSPECTUS IN RESPECT OF THE LAUNCHPAD  
PROGRAMME FOR THE ISSUANCE OF NOTES**



**The Royal Bank of Scotland Group plc**

*(incorporated in Scotland with limited liability under the Companies Acts 1948 to 1980,  
registered number SC045551)  
(the “Issuer” and “RBSG”)*

**The Royal Bank of Scotland Group plc**

**LaunchPAD Programme**

**(the “Programme”)**

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- 1** This supplement dated 22 March 2013 (this “**Supplement**”) constitutes the sixth supplement to the base prospectus dated 27 June 2012 in relation to the Issuer’s LaunchPAD Programme for the issuance of Notes approved by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, the “**AFM**”) on 27 June 2012 (the “**Base Prospectus**”).
- 2** The Base Prospectus was approved as a base prospectus pursuant to Directive 2003/71/EC (the “**Prospectus Directive**”) by the AFM. This Supplement constitutes a supplemental prospectus to the Base Prospectus for the purposes of Article 5:23 of the Financial Supervision Act (*Wet op het financieel toezicht*).
- 3** This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus and any other supplements thereto issued by the Issuer. Terms defined in the Base Prospectus have the same meaning when used in this Supplement.
- 4** In accordance with Article 5:23(6) of the Financial Supervision Act (*Wet op het financieel toezicht*), investors who have agreed to purchase or subscribe for securities issued under the Base Prospectus before this Supplement is published have the right, exercisable before the end of the period of two working days beginning with the working day after the date on which this Supplement was published, to withdraw their acceptances.

- 5 The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 6 On 28 February 2013, RBSG published via the Regulatory News Service of the London Stock Exchange plc (“RNS”) its preliminary unaudited Annual Results for the year ended 31 December 2012 (the “**2012 Preliminary Annual Results of RBSG**”).
- 7 On 13 March 2013, RBSG published via RNS, its Registration Document dated 12 March 2013 (the “**Registration Document**”).
- 8 By virtue of this Supplement, the following documents shall be deemed to be incorporated in, and form part, of the Base Prospectus:
  - 8.1 the 2012 Preliminary Annual Results of RBSG; and
  - 8.2 the Registration Document (excluding the words “Ordinary Shares of £0.25” in the first line item in the table on page 57, which shall be replaced with the words “Ordinary Shares of £1.00”).
- 9 The following amendments are made to the Base Prospectus as a result of the publication (and incorporation by reference into the Base Prospectus, by virtue of this Supplement) of the 2012 Preliminary Annual Results of RBSG and the Registration Document:
  - 9.1 the sub-section headed “Issuer” under the section headed “Summary” shall be deleted in its entirety and replaced by the paragraphs set out in Schedule 1;
  - 9.2 the bullet risk factors under the heading “Risk Factors – Risks relating to the Issuer” in the section entitled “Summary” shall be deleted in their entirety and replaced with the paragraphs set out in Schedule 2;
  - 9.3 the following documents (or sections of documents, as the case may be) shall no longer be incorporated by reference:
    - 9.3.1 the registration document of the Issuer dated 24 February 2012, which was published via RNS on 24 February 2012;
    - 9.3.2 the unaudited Interim Results 2012 of RBSG for the six months ended 30 June 2012, which were published via RNS on 3 August 2012;
    - 9.3.3 the press release entitled “Statement on disposal of UK Branch-based Business” which was published by RBSG via RNS on 15 October 2012;
    - 9.3.4 the press release entitled “RBS exits UK Government’s Asset Protection Scheme” which was published by RBSG via RNS on 17 October 2012;
    - 9.3.5 the unaudited “Interim Management Statement Q3 2012” of RBSG for the third quarter ended 30 September 2012, which was published via RNS on 2 November 2012;
    - 9.3.1 the press release entitled “Update on past sales of Interest Rate Hedging Products” which was published by RBSG via RNS on 31 January 2013;
    - 9.3.2 the press release entitled “RBS reaches LIBOR settlements” which was published by RBSG via RNS on 6 February 2013; and

- 9.4 all the paragraphs in the sub-section entitled “Recent Developments” under the section entitled “General Information” shall be deleted and replaced with the paragraph set out in Schedule 3.
- 10** By virtue of paragraphs 8 and 9.3 of this Supplement, the documents listed in the section of the Base Prospectus headed “Documents Incorporated by Reference” shall be deleted in their entirety and replaced with the documents set out in Schedule 4.
- 11** A copy of this Supplement, the Base Prospectus and all other supplements thereto and all documents incorporated by reference in the Base Prospectus are accessible on <http://markets.rbs.com/bparchive> or <http://markets.rbs.com/launchpad> and can be obtained from the registered office of the Issuer at 36 St. Andrew Square, Edinburgh EH2 2YB, United Kingdom, telephone +33 131 523 3636.
- 12** If the documents which are incorporated by reference in the Base Prospectus by virtue of this Supplement themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of the Base Prospectus for the purposes of the Prospectus Directive except where such information or other documents are specifically incorporated by reference in, or attached to, the Base Prospectus by virtue of this Supplement.
- 13** To the extent that there is any inconsistency between (a) any statement in this Supplement and (b) any other statement in the Base Prospectus, the statements referred to in (a) above will prevail.
- 14** Save as disclosed in any previous supplement to the Base Prospectus or this Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus (as supplemented at the date hereof) has arisen or been noted since the publication of the Base Prospectus.

**The Royal Bank of Scotland Group plc**

## Schedule 1

**Issuer:**

The Royal Bank of Scotland Group plc (the “**Issuer**” or “**RBSG**”)  
RBSG is a public limited company incorporated in Scotland with registration number SC045551 and was incorporated under Scots law on 25 March 1968. RBSG is the holding company of a large global banking and financial services group. Headquartered in Edinburgh, RBSG and its subsidiaries consolidated in accordance with International Financial Reporting Standards (together, the “**Group**”) operate in the United Kingdom, the United States and internationally through the Group’s principal subsidiaries, The Royal Bank of Scotland plc (“**RBS**”) and National Westminster Bank Plc (“**NatWest**”). Both RBS and NatWest are major United Kingdom clearing banks. In the United States, the Group’s subsidiary RBS Citizens Financial Group, Inc. is a large commercial banking organisation. Globally, the Group has a diversified customer base and provides a wide range of products and services to personal, commercial and large corporate and institutional customers.

Her Majesty’s Treasury (“**HM Treasury**”) currently holds 65.3 per cent. of the issued ordinary share capital of RBSG. Following RBSG’s issue of £25.5 billion of B Shares to HM Treasury in December 2009, HM Treasury’s economic interest in RBSG is approximately 81.1 per cent.

The Group had total assets of £1,312 billion and owners’ equity of £68 billion as at 31 December 2012. The Group’s capital ratios as at 31 December 2012 were a total capital ratio of 14.5 per cent., a Core Tier 1 capital ratio of 10.3 per cent. and a Tier 1 capital ratio of 12.4 per cent.

## Schedule 2

### Risk Factors:

#### *Risks Relating to the Issuer*

Certain factors may affect the Issuer's ability to fulfil its obligations under the Securities, including:

- The Group's businesses and performance can be negatively affected by actual or perceived global economic and financial market conditions;
- The Group has significant exposure to the continuing economic crisis in Europe;
- The Group operates in markets that are highly competitive and its business and results of operations may be adversely affected;
- The Group is subject to political risks;
- The Group and its UK bank subsidiaries may face the risk of full nationalisation;
- HM Treasury (or UK Financial Investments Limited (UKFI) on its behalf) may be able to exercise a significant degree of influence over the Group and any proposed offer or sale of its interests may affect the price of securities issued by the Group;
- The Group is subject to other global risks;
- The Group's earning and financial condition have been, and its future earnings and financial condition may continue to be, materially affected by depressed asset valuations resulting from poor market conditions;
- The financial performance of the Group has been, and continues to be, materially affected by deteriorations in borrower and counterparty credit quality and further deteriorations could arise due to prevailing economic and market conditions and legal and regulatory developments;
- The value or effectiveness of any credit protection that the Group has purchased depends on the value of the underlying assets and the financial condition of the insurers and

counterparties;

- Changes in interest rates, foreign exchange rates, credit spreads, bond, equity and commodity prices, basis, volatility and correlation risks and other market factors have significantly affected and will continue to affect the Group's business and results of operations;
- In the United Kingdom and in other jurisdictions, the Group is responsible for contributing to compensation schemes in respect of banks and other authorised financial services firms that are unable to meet their obligations to customers;
- The Group may be required to make further contributions to its pension schemes if the value of pension fund assets is not sufficient to cover potential obligations;
- The Group's ability to meet its obligations including its funding commitments depends on the Group's ability to access sources of liquidity and funding;
- The Group's business performance could be adversely affected if its capital is not managed effectively or as a result of changes to capital adequacy and liquidity requirements;
- The Group's borrowing costs, its access to the debt capital markets and its liquidity depend significantly on its and the United Kingdom Government's credit ratings;
- If the Group is unable to issue the Contingent B Shares to HM Treasury, it may have a material adverse impact on the Group's capital position, liquidity, operating results and future prospects;
- The regulatory capital treatment of certain deferred tax assets recognised by the Group depends on there being no adverse changes to regulatory requirements;
- The Group's ability to implement its strategic plan depends on the success of the Group's refocus on its core strengths and its balance sheet reduction programme;
- The Group is subject to a variety of risks as a result of implementing the State Aid restructuring plan;

- Each of the Group's businesses is subject to substantial regulation and oversight. Significant regulatory developments and changes in the approach of the Group's key regulators could have an adverse effect on how the Group conducts its business and on its results of operations and financial condition;
- The Group is subject to resolution procedures under current and proposed resolution and recovery schemes which may result in various actions being taken in relation to any securities of the Group, including the write off, write-down or conversion of the Groups' securities;
- The Group is subject to a number of regulatory initiatives which may adversely affect its business. The Independent Commission on Banking's final report on competition and possible structural reforms in the UK banking industry has been adopted by the UK Government which intends to implement the recommendations substantially as proposed. In addition other proposals to ring fence certain business activities and the US Federal Reserve's proposal for applying US capital, liquidity and enhanced prudential standards to certain of the Group's US operations together with the UK reforms could require structural changes to the Group's business. Any of these changes could have a material adverse effect on the Group;
- The Group is subject to a number of legal and regulatory actions and investigations. Unfavourable outcomes in such actions and investigations could have a material adverse effect on the Group's operating results or reputation;
- The value of certain financial instruments recorded at fair value is determined using financial models incorporating assumptions, judgements and estimates that may change over time or may ultimately not turn out to be accurate;
- The Group's results could be adversely affected in the event of goodwill impairment;
- The recoverability of certain deferred tax assets recognised by the Group depends on the Group's ability to generate

sufficient future taxable profits;

- Operational risks are inherent in the Group's businesses;
- The Group's operations are highly dependent on its information technology systems;
- The Group may suffer losses due to employee misconduct;
- The Group's operations have inherent reputational risk;
- The Group could fail to attract or retain senior management, which may include members of the Board, or other key employees, and it may suffer if it does not maintain good employee relations; and
- The Group continues to be exposed to its insurance business which is subject to inherent risks involving claims.

### Schedule 3

*Independent auditors' confirmation in relation to the preliminary 2012 Preliminary Annual Results of RBSG (as defined below)*

Deloitte LLP have agreed that the financial information included in the preliminary unaudited Annual Results of the Issuer for the year ended 31 December 2012 published via RNS on 28 February 2013 (the “**2012 Preliminary Annual Results of RBSG**”), is substantially consistent with the final figures to be published in the next annual audited financial statements of RBSG for the year ended 31 December 2012.

## Schedule 4

1. The registration document of the Issuer dated 12 March 2013 (excluding the words “Ordinary Shares of £0.25” in the first line item in the table on page 57, which shall be replaced with the words “Ordinary Shares of £1.00”), which was published via the Regulatory News Service of the London Stock Exchange plc (“RNS”) on 13 March 2013.
2. The preliminary unaudited Annual Results of the Issuer for the year ended 31 December 2012 published via RNS on 28 February 2013.
3. The following sections of the annual report and accounts of the Issuer for the year ended 31 December 2011, which were published via RNS on 9 March 2012:
  - (i) Independent auditor’s report on page 306;
  - (ii) Consolidated income statement on page 307;
  - (iii) Consolidated statement of comprehensive income on page 308;
  - (iv) Consolidated balance sheet as at 31 December 2011 on page 309;
  - (v) Consolidated statement of changes in equity on pages 310 to 312;
  - (vi) Consolidated cash flow statement on page 313;
  - (vii) Accounting policies on pages 314 to 326;
  - (viii) Notes on the consolidated accounts on pages 327 to 419;
  - (ix) Parent company financial statements and notes on pages 420 to 431;
  - (x) Essential reading – Highlights on page 1;
  - (xi) Chairman’s statement on page 9;
  - (xii) Group Chief Executive’s review on pages 10 to 11;
  - (xiii) Our key targets on page 13;
  - (xiv) Our business and our strategy on pages 14 to 18;
  - (xv) Divisional review on pages 19 to 29;
  - (xvi) Business review on pages 32 to 249;
  - (xvii) Corporate governance on pages 258 to 262;
  - (xviii) Letter from the Chair of the Group Remuneration Committee on pages 272 to 273;
  - (xix) Directors’ remuneration report on pages 274 to 295;
  - (xx) Report of the Directors on pages 298 to 302;
  - (xxi) Directors’ interests in shares on page 303;

- (xxii) Financial Summary on pages 433 to 441;
  - (xxiii) Exchange rates on page 441;
  - (xxiv) Economic and monetary environment on page 442;
  - (xxv) Supervision on page 443;
  - (xxvi) Regulatory developments and reviews on page 444;
  - (xxvii) Description of property and equipment on page 445;
  - (xxviii) Major shareholders on page 445;
  - (xxix) Material contracts on pages 445 to 450; and
  - (xxx) Glossary of terms on pages 476 to 483.
4. The following sections of the annual report and accounts of the Issuer for the year ended 31 December 2010, which were published via RNS on 17 March 2011:
- (i) Independent auditor's report on page 267;
  - (ii) Consolidated income statement on page 268;
  - (iii) Consolidated statement of comprehensive income on page 269;
  - (iv) Balance sheets as at 31 December 2010 on page 270;
  - (v) Statements of changes in equity on pages 271 to 273;
  - (vi) Cash flow statements on page 274;
  - (vii) Accounting policies on pages 275 to 286;
  - (viii) Notes on the accounts on pages 287 to 385;
  - (ix) Essential reading – We have met, and in some cases exceeded, the targets for the second year of our Strategic Plan on page 1;
  - (x) Chairman's statement on pages 2 to 3;
  - (xi) Group Chief Executive's review on pages 4 to 5;
  - (xii) Our key targets on page 7;
  - (xiii) Our business and our strategy on pages 8 to 19;
  - (xiv) Divisional review on pages 20 to 41;
  - (xv) Business review on pages 49 to 224;
  - (xvi) Report of the Directors on pages 230 to 234;

- (xvii) Corporate governance on pages 235 to 245;
- (xviii) Letter from the Chair of the Remuneration Committee on pages 246 to 247;
- (xix) Directors' remuneration report on pages 248 to 263;
- (xx) Directors' interests in shares on page 264;
- (xxi) Financial summary on pages 387 to 395;
- (xxii) Exchange rates on page 395;
- (xxiii) Economic and monetary environment on page 396;
- (xxiv) Supervision on page 397;
- (xxv) Regulatory developments and reviews on pages 398 to 399;
- (xxvi) Description of property and equipment on page 399;
- (xxvii) Major shareholders on page 399;
- (xxviii) Material contracts on pages 399 to 404; and
- (xxix) Glossary of terms on pages 434 to 439.

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**LaunchPAD Programme**

**Supplementary Prospectus dated 7 February 2013**

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**FIFTH SUPPLEMENT TO THE BASE PROSPECTUS IN RESPECT OF THE LAUNCHPAD  
PROGRAMME FOR THE ISSUANCE OF NOTES**



**The Royal Bank of Scotland Group plc**

*(incorporated in Scotland with limited liability under the Companies Acts 1948 to 1980,  
registered number SC045551)  
(the “Issuer” and “RBSG”)*

**The Royal Bank of Scotland Group plc**

**LaunchPAD Programme**

**(the “Programme”)**

- 
- 1** This supplement dated 7 February 2013 (this “**Supplement**”) constitutes the fifth supplement to the base prospectus dated 27 June 2012 in relation to the Issuer’s LaunchPAD Programme for the issuance of Notes approved by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, the “**AFM**”) on 27 June 2012 (the “**Base Prospectus**”).
  - 2** The Base Prospectus was approved as a base prospectus pursuant to Directive 2003/71/EC (the “**Prospectus Directive**”) by the AFM. This Supplement constitutes a supplemental prospectus to the Base Prospectus for the purposes of Article 5:23 of the Financial Supervision Act (*Wet op het financieel toezicht*).
  - 3** This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus and any other supplements thereto issued by the Issuer. Terms defined in the Base Prospectus have the same meaning when used in this Supplement.
  - 4** In accordance with Article 5:23(6) of the Financial Supervision Act (*Wet op het financieel toezicht*), investors who have agreed to purchase or subscribe for securities issued under the Base Prospectus before this Supplement is published have the right, exercisable before the end of the period of two working days beginning with the working day after the date on which this Supplement was published, to withdraw their acceptances.

- 5 The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 6 On 6 February 2013, RBSG published via the Regulatory News Service of the London Stock Exchange plc a press release entitled “RBS reaches LIBOR settlements” (the “**6 February RNS**”).
- 7 By virtue of this Supplement, the 6 February RNS shall be incorporated in, and form part of, the Base Prospectus.
- 8 A copy of this Supplement, the Base Prospectus and all other supplements thereto and all documents incorporated by reference in the Base Prospectus are accessible on <http://markets.rbs.com/bparchive> or <http://markets.rbs.com/launchpad> and can be obtained from the registered office of the Issuer at 36 St. Andrew Square, Edinburgh EH2 2YB, United Kingdom, telephone +33 131 523 3636.
- 9 If the documents which are incorporated by reference in the Base Prospectus by virtue of this Supplement themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of the Base Prospectus for the purposes of the Prospectus Directive except where such information or other documents are specifically incorporated by reference in, or attached to, the Base Prospectus by virtue of this Supplement.
- 10 To the extent that there is any inconsistency between (a) any statement in this Supplement and (b) any other statement in the Base Prospectus, the statements referred to in (a) above will prevail.
- 11 Save as disclosed in any previous supplement to the Base Prospectus or this Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus (as supplemented at the date hereof) has arisen or been noted since the publication of the Base Prospectus.

**The Royal Bank of Scotland Group plc**

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**LaunchPAD Programme**

**Supplementary Prospectus dated 4 February 2013**

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**FOURTH SUPPLEMENT TO THE BASE PROSPECTUS IN RESPECT OF THE LAUNCHPAD  
PROGRAMME FOR THE ISSUANCE OF NOTES**



**The Royal Bank of Scotland Group plc**

*(incorporated in Scotland with limited liability under the Companies Acts 1948 to 1980,  
registered number SC045551)  
(the “Issuer” and “RBSG”)*

**The Royal Bank of Scotland Group plc**

**LaunchPAD Programme**

**(the “Programme”)**

- 
- 1** This supplement dated 4 February 2013 (this “**Supplement**”) constitutes the fourth supplement to the base prospectus dated 27 June 2012 in relation to the Issuer’s LaunchPAD Programme for the issuance of Notes approved by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, the “**AFM**”) on 27 June 2012 (the “**Base Prospectus**”).
  - 2** The Base Prospectus was approved as a base prospectus pursuant to Directive 2003/71/EC (the “**Prospectus Directive**”) by the AFM. This Supplement constitutes a supplemental prospectus to the Base Prospectus for the purposes of Article 5:23 of the Financial Supervision Act (*Wet op het financieel toezicht*).
  - 3** This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus and any other supplements thereto issued by the Issuer. Terms defined in the Base Prospectus have the same meaning when used in this Supplement.
  - 4** In accordance with Article 5:23(6) of the Financial Supervision Act (*Wet op het financieel toezicht*), investors who have agreed to purchase or subscribe for securities issued under the Base Prospectus before this Supplement is published have the right, exercisable before the end of the period of two working days beginning with the working day after the date on which this Supplement was published, to withdraw their acceptances.

- 5 The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 6 On 31 January 2013, RBSG published via the Regulatory News Service of the London Stock Exchange plc a press release entitled “Update on past sales of Interest Rate Hedging Products” (the “**31 January RNS**”).
- 7 By virtue of this Supplement, the 31 January RNS shall be incorporated in, and form part of, the Base Prospectus.
- 8 A copy of this Supplement, the Base Prospectus and all other supplements thereto and all documents incorporated by reference in the Base Prospectus are accessible on <http://markets.rbs.com/bparchive> or <http://markets.rbs.com/launchpad> and can be obtained from the registered office of the Issuer at 36 St. Andrew Square, Edinburgh EH2 2YB, United Kingdom, telephone +33 131 523 3636.
- 9 If the documents which are incorporated by reference in the Base Prospectus by virtue of this Supplement themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of the Base Prospectus for the purposes of the Prospectus Directive except where such information or other documents are specifically incorporated by reference in, or attached to, the Base Prospectus by virtue of this Supplement.
- 10 To the extent that there is any inconsistency between (a) any statement in this Supplement and (b) any other statement in the Base Prospectus, the statements referred to in (a) above will prevail.
- 11 Save as disclosed in any previous supplement to the Base Prospectus or this Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus (as supplemented at the date hereof) has arisen or been noted since the publication of the Base Prospectus.

**The Royal Bank of Scotland Group plc**

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**LaunchPAD Programme**

**Supplementary Prospectus dated 7 November 2012**

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**THIRD SUPPLEMENT TO THE BASE PROSPECTUS IN RESPECT OF THE LAUNCHPAD  
PROGRAMME FOR THE ISSUANCE OF NOTES**



**The Royal Bank of Scotland Group plc**

*(incorporated in Scotland with limited liability under the Companies Acts 1948 to 1980,  
registered number SC045551)  
(the “Issuer” and “RBSG”)*

**The Royal Bank of Scotland Group plc**

**LaunchPAD Programme**

**(the “Programme”)**

- 
- 1** This supplement dated 7 November 2012 (this “**Supplement**”) constitutes the third supplement to the base prospectus dated 27 June 2012 in relation to the Issuer’s LaunchPAD Programme for the issuance of Notes approved by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, the “**AFM**”) on 27 June 2012 (the “**Base Prospectus**”).
  - 2** The Base Prospectus was approved as a base prospectus pursuant to Directive 2003/71/EC (the “**Prospectus Directive**”) by the AFM. This Supplement constitutes a supplemental prospectus to the Base Prospectus for the purposes of Article 5:23 of the Financial Supervision Act (*Wet op het financieel toezicht*).
  - 3** This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus and any other supplements thereto issued by the Issuer. Terms defined in the Base Prospectus have the same meaning when used in this Supplement.
  - 4** In accordance with Article 5:23(6) of the Financial Supervision Act (*Wet op het financieel toezicht*), investors who have agreed to purchase or subscribe for securities issued under the Base Prospectus before this Supplement is published have the right, exercisable before the end of the period of two working days beginning with the working day after the date on which this Supplement was published, to withdraw their acceptances.

- 5 The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 6 On 2 November 2012, RBSG published via the Regulatory News Service of the London Stock Exchange plc (“RNS”) the unaudited Interim Management Statement Q3 2012 of RBSG (the “**RBSG Q3 Interim Management Statement**”).
- 7 By virtue of this Supplement, the RBSG Q3 Interim Management Statement shall be incorporated in, and form part of, the Base Prospectus.
- 8 By virtue of this Supplement, the first paragraph under the heading “No Significant Change and No Material Adverse Change” in the section entitled “General Information” in the Base Prospectus, shall be deleted in its entirety and replaced with the following paragraph:

“There has been no significant change in the trading or financial position of the Group taken as a whole since 30 September 2012 (the end of the last financial period for which either audited financial information or interim financial information of the Group has been published).”
- 9 A copy of this Supplement, the Base Prospectus and all other supplements thereto and all documents incorporated by reference in the Base Prospectus are accessible on <http://markets.rbs.com/bparchive> or <http://markets.rbs.com/launchpad> and can be obtained from the registered office of the Issuer at 36 St. Andrew Square, Edinburgh EH2 2YB, United Kingdom, telephone +33 131 523 3636.
- 10 If the documents which are incorporated by reference in the Base Prospectus by virtue of this Supplement themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of the Base Prospectus for the purposes of the Prospectus Directive except where such information or other documents are specifically incorporated by reference in, or attached to, the Base Prospectus by virtue of this Supplement.
- 11 To the extent that there is any inconsistency between (a) any statement in this Supplement and (b) any other statement in the Base Prospectus, the statements referred to in (a) above will prevail.
- 12 Save as disclosed in any previous supplement to the Base Prospectus or this Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus (as supplemented at the date hereof) has arisen or been noted since the publication of the Base Prospectus.

**The Royal Bank of Scotland Group plc**

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**LaunchPAD Programme**

**Supplementary Prospectus dated 17 October 2012**

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



**The Royal Bank of Scotland Group plc**

*(incorporated in Scotland with limited liability under the Companies Acts 1948 to 1980,  
registered number SC045551)  
(the “Issuer” and “RBSG”)*

**The Royal Bank of Scotland Group plc**

**LaunchPAD Programme**

**(the “Programme”)**

- 
- 1** This supplement dated 17 October 2012 (this “**Supplement**”) constitutes the second supplement to the base prospectus dated 27 June 2012 in relation to the Issuer’s LaunchPAD Programme for the issuance of Notes approved by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, the “**AFM**”) on 27 June 2012 (the “**Base Prospectus**”).
  - 2** The Base Prospectus was approved as a base prospectus pursuant to Directive 2003/71/EC (the “**Prospectus Directive**”) by the AFM. This Supplement constitutes a supplemental prospectus to the Base Prospectus for the purposes of Article 5:23 of the Financial Supervision Act (*Wet op het financieel toezicht*).
  - 3** This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus and any other supplements thereto issued by the Issuer. Terms defined in the Base Prospectus have the same meaning when used in this Supplement.
  - 4** In accordance with Article 5:23(6) of the Financial Supervision Act (*Wet op het financieel toezicht*), investors who have agreed to purchase or subscribe for securities issued under the Base Prospectus before this Supplement is published have the right, exercisable before the end of the period of two working days beginning with the working day after the date on which this Supplement was published, to withdraw their acceptances.

- 5 The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 6 On 15 October 2012, RBSG published via the Regulatory News Service of the London Stock Exchange plc (“RNS”) a press release entitled “Statement on disposal of UK Branch-based Business” (the “**15 October RNS**”).
- 7 On 17 October 2012, RBSG published via RNS a press release entitled “RBS exits UK Government's Asset Protection Scheme” (the “**17 October RNS**”).
- 8 By virtue of this Supplement, each of (i) the 15 October RNS; and (ii) the 17 October RNS shall be incorporated in, and form part of, the Base Prospectus.
- 9 A copy of this Supplement, the Base Prospectus and all other supplements thereto and all documents incorporated by reference in the Base Prospectus are accessible on <http://markets.rbs.com/bparchive> or <http://markets.rbs.com/launchpad> and can be obtained from the registered office of the Issuer at 36 St. Andrew Square, Edinburgh EH2 2YB, United Kingdom, telephone +33 131 523 3636.
- 10 If the documents which are incorporated by reference in the Base Prospectus by virtue of this Supplement themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of the Base Prospectus for the purposes of the Prospectus Directive except where such information or other documents are specifically incorporated by reference in, or attached to, the Base Prospectus by virtue of this Supplement.
- 11 To the extent that there is any inconsistency between (a) any statement in this Supplement and (b) any other statement in the Base Prospectus, the statements referred to in (a) above will prevail.
- 12 Save as disclosed in any previous supplement to the Base Prospectus or this Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus (as supplemented at the date hereof) has arisen or been noted since the publication of the Base Prospectus.

**The Royal Bank of Scotland Group plc**

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**LaunchPAD Programme**

**Supplementary Prospectus dated 3 August 2012**

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**FIRST SUPPLEMENT TO THE BASE PROSPECTUS IN RESPECT OF THE LAUNCHPAD  
PROGRAMME FOR THE ISSUANCE OF NOTES**



**The Royal Bank of Scotland Group plc**

*(incorporated in Scotland with limited liability under the Companies Acts 1948 to 1980,  
registered number SC045551)  
(the “Issuer” and “RBSG”)*

**The Royal Bank of Scotland Group plc**

**LaunchPAD Programme**

**(the “Programme”)**

- 
- 1** This supplement dated 3 August 2012 (this “**Supplement**”) constitutes the first supplement to the base prospectus dated 27 June 2012 in relation to the Issuer’s LaunchPAD Programme for the issuance of Notes approved by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, the “**AFM**”) on 27 June 2012 (the “**Base Prospectus**”).
  - 2** The Base Prospectus was approved as a base prospectus pursuant to Directive 2003/71/EC (the “**Prospectus Directive**”) by the AFM. This Supplement constitutes a supplemental prospectus to the Base Prospectus for the purposes of Article 5:23 of the Financial Supervision Act (*Wet op het financieel toezicht*).
  - 3** This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus and any other supplements thereto issued by the Issuer. Terms defined in the Base Prospectus have the same meaning when used in this Supplement.
  - 4** In accordance with Article 5:23(6) of the Financial Supervision Act (*Wet op het financieel toezicht*), investors who have agreed to purchase or subscribe for securities issued under the Base Prospectus before this Supplement is published have the right, exercisable before the end of the period of two working days beginning with the working day after the date on which this Supplement was published, to withdraw their acceptances.

- 5 The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 6 Further to the announcement made on 4 July 2012 that the implementation of the Dutch Scheme would be deferred, The Royal Bank of Scotland Group plc, The Royal Bank of Scotland plc, RBS Holdings N.V., The Royal Bank of Scotland N.V. and RBS II B.V. have announced that the Dutch Scheme is now expected to be implemented on 10 September 2012, subject (among other matters) to regulatory approvals and the approval of the Court of Session in Scotland. The Issuer will produce a supplement to its disclosure if there is a change to this date.
- 7 On 3 August 2012, the unaudited Interim Results 2012 of RBSG for the six months ended 30 June 2012 were published via the Regulatory News Service of the London Stock Exchange plc (the “**RBSG Interim Results 2012**”).
- 8 By virtue of this Supplement, the RBSG Interim Results 2012 shall be incorporated in, and form part of, the Base Prospectus.
- 9 By virtue of this Supplement, each of the paragraphs under the heading “No Significant Change and No Material Adverse Change” in the section entitled “General Information” in the Base Prospectus, shall be deleted in their entirety and replaced with the paragraphs set out in Schedule 1.
- 10 By virtue of this Supplement, the paragraphs set out in Schedule 2 shall be inserted at the end of the subsection entitled “Recent Developments” in the section entitled “General Information” in the Base Prospectus.
- 11 A copy of this Supplement, the Base Prospectus and all other supplements thereto and all documents incorporated by reference in the Base Prospectus are accessible on <http://markets.rbs.com/bparchive> or <http://markets.rbs.com/launchpad> and can be obtained from the registered office of the Issuer at 36 St. Andrew Square, Edinburgh EH2 2YB, United Kingdom, telephone +33 131 523 3636.
- 12 If the documents which are incorporated by reference in the Base Prospectus by virtue of this Supplement themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of the Base Prospectus for the purposes of the Prospectus Directive except where such information or other documents are specifically incorporated by reference in, or attached to, the Base Prospectus by virtue of this Supplement.
- 13 To the extent that there is any inconsistency between (a) any statement in this Supplement and (b) any other statement in the Base Prospectus, the statements referred to in (a) above will prevail.
- 14 Save as disclosed in any previous supplement to the Base Prospectus or this Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus (as supplemented at the date hereof) has arisen or been noted since the publication of the Base Prospectus.

**The Royal Bank of Scotland plc**

### **Schedule 1**

There has been no significant change in the trading or financial position of the Group taken as a whole since 30 June 2012 (the end of the last financial period for which audited financial information or interim financial information of the Group has been published).

There has been no material adverse change in the prospects of the Group taken as a whole since 31 December 2011 (the date of the last published audited financial information of the Group).

## Schedule 2

### *Litigation – London Interbank Offered Rate (LIBOR)*

Certain members of the Group have been named as defendants in a number of class actions and individual claims filed in the US with respect to the setting of LIBOR. It is possible that further claims may be threatened or brought in the US or elsewhere relating to the setting of interest rates or interest rate-related trading.

### *Investigations*

#### *LIBOR*

The Group continues to co-operate fully with investigations by various governmental and regulatory authorities into its submissions, communications and procedures relating to the setting of LIBOR and other interest rates. The relevant authorities include, amongst others, the US Commodity Futures Trading Commission, the US Department of Justice (Fraud Division), the Financial Services Authority and the Japanese Financial Services Agency. The Group has dismissed a number of employees for misconduct as a result of its investigations into these matters.

The Group is also under investigation by competition authorities in a number of jurisdictions, including the European Commission, Department of Justice (Antitrust Division) and Canadian Competition Bureau, stemming from the actions of certain individuals in the setting of LIBOR and other interest rates, as well as interest rate-related trading. The Group is also co-operating fully with these investigations.

It is not possible to reliably measure what effect these investigations, any regulatory findings and any related developments may have on the Group, including the timing and amount of fines or settlements.

### *Technology incident*

On 19 June 2012, the Group was affected by a technology incident, as a result of which the processing of certain customer accounts and payments were subject to considerable delay. The cause of the incident is being investigated by independent external counsel with the assistance of third party advisers, who have been instructed to carry out an independent review. The Group has agreed to reimburse customers for any loss suffered as a result of the incident and has made a provision of £125 million in the RBSG Interim Results 2012 for this matter. Additional costs may arise once all redress and business disruption items are clear and a further update will be given in the third quarter.

The incident, the Group's handling of the incident and the systems and controls surrounding the processes affected, are the subject of regulatory enquiries (both from the UK and Ireland) and the Group could become a party to litigation. In particular, the Group could face legal claims from those whose accounts were affected and could itself have claims against third parties.

LAUNCHPAD PROGRAMME

BASE PROSPECTUS RELATING TO NOTES

DATED: 27 JUNE 2012



# The Royal Bank of Scotland Group plc

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

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BASE PROSPECTUS RELATING TO

NOTES

THE ROYAL BANK OF SCOTLAND GROUP PLC

LAUNCHPAD PROGRAMME

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PROSPECTIVE PURCHASERS OF THE SECURITIES DESCRIBED IN THIS BASE PROSPECTUS (THE “SECURITIES”) SHOULD ENSURE THAT THEY UNDERSTAND FULLY THE NATURE OF THE SECURITIES AND THE EXTENT OF THEIR EXPOSURE TO THE RISKS ASSOCIATED WITH THE SECURITIES. THE MARKET PRICE AND / OR VALUE OF THE SECURITIES MAY BE VOLATILE AND HOLDERS OF THE SECURITIES MAY SUSTAIN A TOTAL LOSS IN THE VALUE OF THEIR INVESTMENT (UNLESS THE SECURITIES ARE OF A TYPE IN WHICH CAPITAL IS PROTECTED). PROSPECTIVE PURCHASERS NEED TO CONSIDER THE SUITABILITY OF AN INVESTMENT IN THE SECURITIES IN LIGHT OF THEIR OWN FINANCIAL, FISCAL, REGULATORY AND OTHER CIRCUMSTANCES. PLEASE REFER, IN PARTICULAR, TO THE SECTIONS “RISK FACTORS” IN THIS BASE PROSPECTUS AND IN THE REGISTRATION DOCUMENT FOR A MORE COMPLETE EXPLANATION OF THE RISKS ASSOCIATED WITH AN INVESTMENT IN THE SECURITIES.

SERIES OF SECURITIES TO BE ISSUED UNDER THE PROGRAMME DESCRIBED BY THIS BASE PROSPECTUS (THE “PROGRAMME”) MAY BE RATED OR UNRATED. WHERE A SERIES OF SECURITIES IS TO BE RATED, SUCH RATING WILL NOT NECESSARILY BE THE SAME AS ANY RATING ASSIGNED TO ANY SECURITIES ALREADY ISSUED. WHETHER OR NOT A RATING IN RELATION TO ANY SERIES OF SECURITIES WILL BE TREATED AS HAVING BEEN ISSUED BY A CREDIT RATING AGENCY ESTABLISHED IN THE EUROPEAN UNION AND REGISTERED UNDER REGULATION (EC) No 1060/2009 ON CREDIT RATING AGENCIES (THE “CRA REGULATION”) WILL BE DISCLOSED IN THE RELEVANT FINAL TERMS. A SECURITY RATING IS NOT A RECOMMENDATION TO BUY, SELL OR HOLD SECURITIES AND MAY BE SUBJECT TO SUSPENSION, REDUCTION OR WITHDRAWAL AT ANY TIME BY THE ASSIGNING RATING AGENCY.

THE CREDIT RATINGS INCLUDED AND REFERRED TO IN THIS BASE PROSPECTUS (INCLUDING DOCUMENTS INCORPORATED BY REFERENCE HEREIN) HAVE BEEN ISSUED BY STANDARD & POOR’S CREDIT MARKET SERVICES EUROPE LIMITED, FITCH RATINGS LIMITED AND MOODY’S INVESTORS SERVICE LIMITED, EACH OF WHICH IS ESTABLISHED IN THE EUROPEAN UNION AND IS REGISTERED UNDER THE CRA REGULATION.

THE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR THE SECURITIES LAWS OF ANY STATE OR POLITICAL SUBDIVISION OF THE UNITED STATES, AND MAY NOT BE OFFERED, SOLD, TRANSFERRED OR DELIVERED, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO THE REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE U.S. STATE SECURITIES LAWS. THE SECURITIES ARE BEING OFFERED AND SOLD ONLY OUTSIDE THE UNITED STATES TO PERSONS OTHER THAN U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN OFFSHORE TRANSACTIONS THAT MEET THE REQUIREMENTS OF REGULATION S UNDER THE SECURITIES ACT. FURTHERMORE, TRADING IN THE SECURITIES HAS NOT BEEN APPROVED BY THE UNITED STATES COMMODITY FUTURES TRADING COMMISSION UNDER THE UNITED STATES COMMODITY EXCHANGE ACT, AS AMENDED.

*Dealer*  
***The Royal Bank of Scotland plc***

*THIS BASE PROSPECTUS CONSTITUTES A BASE PROSPECTUS FOR THE PURPOSES OF ARTICLE 5.4 OF DIRECTIVE 2003/71/EC (THE “**PROSPECTUS DIRECTIVE**”).*

*THE ROYAL BANK OF SCOTLAND GROUP PLC (THE “**ISSUER**”) ACCEPTS RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS BASE PROSPECTUS, AS COMPLETED AND/OR AMENDED BY THE FINAL TERMS. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE ISSUER (WHICH HAS TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE) THE INFORMATION CONTAINED IN THIS DOCUMENT IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION.*

*THE SECURITIES MAY BE ISSUED ON A CONTINUING BASIS TO THE ROYAL BANK OF SCOTLAND PLC AND/OR ANY ADDITIONAL DEALER APPOINTED UNDER THE PROGRAMME FROM TIME TO TIME, WHICH APPOINTMENT MAY BE FOR A SPECIFIC ISSUE OR ON AN ONGOING BASIS (EACH A “**DEALER**” AND TOGETHER THE “**DEALERS**”).*

*APPLICATION WILL BE MADE TO NYSE EURONEXT FOR SECURITIES TO BE ADMITTED TO TRADING AND LISTED ON EURONEXT AMSTERDAM N.V. (“**EURONEXT AMSTERDAM**”) BY NYSE EURONEXT UP TO THE EXPIRY OF 12 MONTHS FROM THE DATE OF THIS BASE PROSPECTUS. IN ADDITION, SECURITIES MAY BE LISTED OR ADMITTED TO TRADING, AS THE CASE MAY BE, ON ANY OTHER STOCK EXCHANGE OR MARKET SPECIFIED IN THE APPLICABLE FINAL TERMS. THE ISSUER MAY ALSO ISSUE UNLISTED SECURITIES.*

*REFERENCES IN THIS PROGRAMME TO SECURITIES BEING “LISTED” (AND ALL RELATED REFERENCES) SHALL, UNLESS THE CONTEXT OTHERWISE REQUIRES, MEAN THAT SUCH SECURITIES WILL BE ADMITTED TO TRADING AND WILL BE LISTED ON EURONEXT AMSTERDAM OR ANY OTHER REGULATED MARKET FOR THE PURPOSES OF DIRECTIVE 2004/39/EC (THE MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE).*

*NEITHER THE ISSUER NOR ANY DEALER HAS AUTHORISED THE MAKING OR PROVISION OF ANY REPRESENTATION OR INFORMATION REGARDING THE ISSUER OR ANY SECURITIES OTHER THAN THOSE CONTAINED IN THIS BASE PROSPECTUS. NEITHER THE DELIVERY OF THIS DOCUMENT NOR THE DELIVERY OF ANY OTHER DOCUMENTS OF THE LAUNCHPAD PROGRAMME NOR ANY INFORMATION PROVIDED IN THE COURSE OF A TRANSACTION IN SECURITIES SHALL, IN ANY CIRCUMSTANCES, BE CONSTRUED AS A RECOMMENDATION BY THE ISSUER OR ANY DEALER TO ENTER INTO ANY TRANSACTION WITH RESPECT TO ANY SECURITIES. EACH PROSPECTIVE INVESTOR CONTEMPLATING A PURCHASE OF SECURITIES SHOULD MAKE ITS OWN INDEPENDENT INVESTIGATION OF THE RISKS ASSOCIATED WITH A TRANSACTION INVOLVING ANY SECURITIES.*

*THE DELIVERY OF THIS DOCUMENT DOES NOT AT ANY TIME IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER SINCE THE DATE OF THIS BASE PROSPECTUS OR THE DATE UPON WHICH THIS BASE PROSPECTUS HAS BEEN MOST RECENTLY AMENDED OR SUPPLEMENTED. THE ISSUER DOES NOT INTEND TO PROVIDE ANY POST-ISSUANCE INFORMATION.*

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*ASSUME ANY RESPONSIBILITY FOR FACILITATING ANY SUCH DISTRIBUTION OR OFFERING. IN PARTICULAR, NO REPRESENTATION IS MADE BY THE ISSUER OR ANY DEALER, WHICH WOULD PERMIT A PUBLIC OFFERING OF THE SECURITIES OR POSSESSION OR DISTRIBUTION OF THIS PROSPECTUS OR ANY OFFERING MATERIAL IN RELATION TO THE SECURITIES IN ANY JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. NO OFFERS, SALES OR DELIVERIES OF ANY SECURITIES, OR DISTRIBUTION OF ANY OFFERING MATERIAL RELATING TO THE SECURITIES, MAY BE MADE IN OR FROM ANY JURISDICTION EXCEPT IN CIRCUMSTANCES WHICH WILL RESULT IN COMPLIANCE WITH ANY APPLICABLE LAWS AND REGULATIONS AND WILL NOT IMPOSE ANY OBLIGATION ON THE ISSUER. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON OFFERS, SALES AND DELIVERIES OF SECURITIES AND THE DISTRIBUTION OF THIS DOCUMENT AND OTHER OFFERING MATERIAL RELATING TO THE SECURITIES PLEASE REFER TO "SELLING RESTRICTIONS" IN THIS BASE PROSPECTUS.*

*IN CONNECTION WITH THE ISSUE OF ANY SERIES OF SECURITIES, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILISING MANAGER(S) (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN THE APPLICABLE FINAL TERMS MAY OVER-ALLOT SECURITIES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE SECURITIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER(S) (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT SERIES OF SECURITIES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT SERIES OF SECURITIES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT SERIES OF SECURITIES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.*

*FOR UNITED KINGDOM TAX PURPOSES, THE TERM "SECURITY" OR "SECURITIES" REFERS TO INSTRUMENTS OF THE TYPE DESCRIBED IN THIS BASE PROSPECTUS AND IS NOT INTENDED TO BE DETERMINATIVE (OR INDICATIVE) OF THE NATURE OF THE INSTRUMENT FOR THE PURPOSES OF UNITED KINGDOM TAXATION.*

Securities which are sold to a non-U.S. person (within the meaning of Regulation S (“**Regulation S**”) under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”)) in an “offshore transaction” within the meaning of Regulation S may be issued in global bearer form or dematerialised form.

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## SUMMARY

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*This summary must be read as an introduction to this Base Prospectus and any decision to invest in any Securities should be based on a consideration of this Base Prospectus as a whole, including the documents incorporated by reference. No civil liability attaches to the Issuer in respect of this Summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus. Where a claim relating to information contained in this Base Prospectus is brought before a court in a Member State of the European Economic Area (an “EEA State”), the claimant may, under the national legislation of the EEA State where the claim is brought, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated.*

Words and expressions defined elsewhere in this Base Prospectus shall have the same meanings in this summary.

**Issuer:**

The Royal Bank of Scotland Group plc (the “**Issuer**” or “**RBSG**”)

RBSG is a public limited company incorporated in Scotland with registration number SC045551 and was incorporated under Scots law on 25 March 1968. RBSG is the holding company of a large global banking and financial services group. Headquartered in Edinburgh, RBSG and its subsidiaries consolidated in accordance with International Financial Reporting Standards (together, the “**Group**”) operate in the United Kingdom, the United States and internationally through the Group’s principal subsidiaries, The Royal Bank of Scotland plc (“**RBS**”) and National Westminster Bank Plc (“**NatWest**”). Both RBS and NatWest are major United Kingdom clearing banks. In the United States, the Group’s subsidiary Citizens Financial Group, Inc. is a large commercial banking organisation. Globally, the Group has a diversified customer base and provides a wide range of products and services to personal, commercial and large corporate and institutional customers.

Her Majesty’s Treasury (“**HM Treasury**”) currently holds 67 per cent. of the issued ordinary share capital of RBSG. Following RBSG’s issue of £25.5 billion of B Shares to HM

Treasury in December 2009, HM Treasury's economic interest in RBSG is approximately 82 per cent.

The Group had total assets of £1,507 billion and owners' equity of £75 billion as at 31 December 2011. The Group's capital ratios as at 31 December 2011 were a total capital ratio of 13.8 per cent., a Core Tier 1 capital ratio of 10.6 per cent. and a Tier 1 capital ratio of 13.0 per cent.

*Risk Factors:*

*Risks Relating to the Issuer*

Certain factors may affect the Issuer's ability to fulfil its obligations under the Securities, including:

- The Group's businesses and performance can be negatively affected by actual or perceived global economic and financial market conditions and by other geopolitical risks.
- The Group's ability to meet its obligations including its funding commitments depends on the Group's ability to access sources of liquidity and funding.
- The Independent Commission on Banking has published its final report on competition and possible structural reforms in the UK banking industry. The UK Government has indicated that it supports and intends to implement the recommendations substantially as proposed, which could have a material adverse effect on the Group.
- The Group's ability to implement its strategic plan depends on the success of the Group's refocus on its core strengths and its balance sheet reduction programme.
- The occurrence of a delay in the implementation of (or any failure to implement) the approved proposed transfers of a substantial part of the business activities of The Royal Bank of Scotland N.V. ("**RBS N.V.**") to RBS may have a material adverse effect on the Group.
- The Group is subject to a variety of risks as a result of implementing the state aid restructuring plan and is prohibited from making discretionary dividend or coupon

payments on existing hybrid capital instruments (including preference shares and B shares) which may impair the Group's ability to raise new Tier 1 capital.

- RBSG and its United Kingdom bank subsidiaries may face the risk of full nationalisation or other resolution procedures under the Banking Act 2009 which may result in various actions being taken in relation to any Securities.
- The financial performance of the Group has been, and continues to be, materially affected by deteriorations in borrower and counterparty credit quality and further deteriorations could arise due to prevailing economic and market conditions, and legal and regulatory developments.
- The Group's earnings and financial condition have been, and its future earnings and financial condition may continue to be, materially affected by depressed asset valuations resulting from poor market conditions.
- The value or effectiveness of any credit protection that the Group has purchased depends on the value of the underlying assets and the financial condition of the insurers and counterparties.
- Changes in interest rates, foreign exchange rates, credit spreads, bond, equity and commodity prices, basis, volatility and correlation risks and other market factors have significantly affected and will continue to affect the Group's business and results of operations.
- The Group's borrowing costs, its access to the debt capital markets and its liquidity depend significantly on its and the United Kingdom Government's credit ratings.
- The Group's business performance could be adversely affected if its capital is not managed effectively or as a result of changes to capital adequacy and liquidity requirements.
- The Group is and may be subject to litigation and regulatory investigations that may have a material impact

on its business.

- The value of certain financial instruments recorded at fair value is determined using financial models incorporating assumptions, judgements and estimates that may change over time or may ultimately not turn out to be accurate.
- The Group operates in markets that are highly competitive and its business and results of operations may be adversely affected.
- The Group could fail to attract or retain senior management, which may include members of the board, or other key employees, and it may suffer if it does not maintain good employee relations.
- Each of the Group's businesses is subject to substantial regulation and oversight. Significant regulatory developments, including changes in tax law, could have an adverse effect on how the Group conducts its business and on its results of operations and financial condition.
- The Group's results could be adversely affected in the event of goodwill impairment.
- The Group may be required to make further contributions to its pension schemes if the value of pension fund assets is not sufficient to cover potential obligations.
- Operational risks are inherent in the Group's businesses.
- HM Treasury (or UK Financial Investments Limited on its behalf) may be able to exercise a significant degree of influence over the Group and any proposed offer or sale of its interests may affect the price of the Securities.
- The Group's insurance businesses are subject to inherent risks involving claims.
- The Group's operations have inherent reputational risk.
- In the United Kingdom and in other jurisdictions, the Group is responsible for contributing to compensation schemes in respect of banks and other authorised financial

services firms that are unable to meet their obligations to customers.

- The recoverability and regulatory capital treatment of certain deferred tax assets recognised by the Group depends on the Group's ability to generate sufficient future taxable profits and there being no adverse changes to tax legislation, regulatory requirements or accounting standards.
- The Group's participation in the asset protection scheme is costly and may not produce the benefits expected and the occurrence of associated risks may have a material adverse impact on the Group's business, capital position, financial condition and results of operations.
- The extensive governance, asset management and information requirements under the scheme conditions may have an adverse impact on the Group and the expected benefits of the asset protection scheme.
- Any changes to the expected regulatory capital treatment of the asset protection scheme, the B shares or the contingent B shares may have a material adverse impact on the Group.
- If the Group is unable to issue the contingent B shares to HM Treasury, it may have a material adverse impact on the Group's capital position, liquidity, operating results and future prospects.

#### *Risks Relating to the Securities*

Certain factors represent risks inherent in investing in the Securities issued, including:

- The Securities are notes which may or may not bear interest. Securities which are not capital protected may result in the holder of the Securities (each, a "**Holder**" and together, the "**Holders**") losing some or all of their investment. Securities where the interest amount paid is dependant on the performance of the Underlying may

result in the Holder receiving no or only a limited periodic return on his investment.

- The Securities may not be a suitable investment for all investors and each potential investor must determine the suitability in light of its own circumstances. Some Securities are complex financial instruments and a potential investor should not invest in such Securities unless it has the relevant expertise.
- Several factors will influence the value of the Securities and many of which are beyond the Issuer's control. Such factors include changes in the value of the Underlying, interest rate risk with respect to the currency of denomination of the Underlying and/or the Securities, the volatility of the Underlying, fluctuations in the rates of exchange or value of currencies relating to the Securities and/or the Underlying, restrictions on the exchangeability of currencies relating to the Securities and/or the Underlying, disruptions affecting the value or settlement of the Securities and/or the Underlying and the creditworthiness of the Issuer.
- There may not be a secondary market in the Securities. As a consequence, liquidity in the Securities should be considered as a risk. In the event that such a secondary market does not develop, an investor selling the Securities is unlikely to be able to sell its Securities or at prices that will provide him with a yield comparable to similar investments that have developed a secondary market.
- As part of its issuing, market making and/or trading arrangements, the Issuer may issue more Securities than those which are to be subscribed or purchased by third-party investors. The issue size is therefore not indicative of the depth or liquidity of the market or of the demand for such Series of Securities.
- The Securities may not be a perfect hedge to an Underlying nor may it be possible to liquidate the

Securities at a level which directly reflects the price of the Underlying.

- The Issuer and/or its affiliates may enter into transactions or carry out other activities in relation to the Underlying which may affect the market price, liquidity or value of the Underlying and/or the Securities in a way which could be adverse to the interests of the Holders.
- The Issuer's hedge position (if any) in the jurisdiction of the relevant Underlying could be impacted by foreign exchange control, or other similar, restrictions. In certain circumstances, including the insolvency of the hedging counterparty or the unenforceability of the associated hedging transaction (if any), the investor may lose some or all of its investment.
- The Securities convey no interest in the Underlying to the investors. The Issuer may choose not to hold the Underlying or any derivative contracts linked to the Underlying.
- The Calculation Agent is the agent of the Issuer and not the Holders. The Calculation Agent may make adjustments as a result of certain corporate or other actions affecting the Underlying. In making such adjustments, the Calculation Agent is entitled to exercise substantial discretion and may be subject to conflicts of interest.
- Taxes may be payable by purchasers and sellers of the Securities and tax regulations and their application may change from time to time.
- If payments on the Securities are or become subject to a withholding or deduction required by law, none of the Issuer, the Principal Agent nor any other person shall pay any additional amounts to the Holders in respect of such withholding or deduction.
- The Issuer may elect to terminate the Securities early should U.S. withholding tax apply to any current or future

payments on the Securities.

- The Issuer may terminate the Securities early if it determines that the performance of its obligations under the Securities or that maintaining its hedging arrangement (if any) is no longer legal or practical in whole or in part for any reason.
- Where the Securities are held in global or dematerialised form by or on behalf of a clearing system, the Issuer and any Agent shall treat the bearer of the Securities or the relevant clearing system as the sole holder of such Securities. Holders must look to the relevant clearing system in respect of payments made in respect of such Securities.
- Where an investor uses a nominee service provider or holds interests in Securities through accounts with a clearing system, such investor will receive payments in respect of the Securities solely on the basis of the arrangements with such third party and is exposed to the credit risk and default risk of such third party.
- An investor's total return on an investment in any Securities will be affected by the level of fees charged by any nominee service provider or clearing system used by the investor.
- No assurance can be given as to the impact of any possible change to English law or administrative practice. English law may be materially different from the equivalent law in the home jurisdiction of prospective investors.
- Credit ratings assigned to the Securities may not reflect the potential impact of all the risks that may affect the value of the Securities.
- The investment activities of investors may be restricted by legal investment laws and regulations, or by the review or regulation by certain authorities.
- The Issuer may make modifications to the Securities

without the consent of the Holders which may affect the Holders' interest for the purpose of curing an error or ambiguity, substituting itself as debtor or in any other manner which is not materially prejudicial to the interests of the Holders.

<b>Principal Agent:</b>	The Royal Bank of Scotland plc
<b>Calculation Agent:</b>	The Royal Bank of Scotland plc
<b>Dealer:</b>	The Royal Bank of Scotland plc
<b>Listing and Admission to Trading:</b>	Application will be made to NYSE Euronext or any other stock exchange or market specified in the Final Terms for Securities to be admitted to trading and listed on Euronext Amsterdam by NYSE Euronext or any other stock exchange or market specified in the Final Terms up to the expiry of 12 months from the date of this Base Prospectus. The Issuer may also issue unlisted Securities.
<b>Description of the Securities:</b>	<p>A range of notes may be issued under this Base Prospectus. The terms and conditions (the "<b>Conditions</b>") applicable to such notes are contained in the General Conditions which are applicable to all notes, the Product Conditions applicable to the particular type of note being issued, the applicable Additional Conditions (if any) and the Final Terms applicable to the particular Series being issued.</p> <p>The notes are investment instruments which may or may not bear interest and which, at maturity or earlier termination, either pay a cash amount which may or may not be equal to the nominal amount of the relevant note, less certain expenses (the "<b>Cash Amount</b>") or, in the case of exchangeable notes, permit the Holder to exchange his note for, depending on the terms of the relevant note, a defined amount of the Underlying (as defined below) or an amount in cash calculated by reference to the value of the Underlying (the "<b>Conversion Amount</b>"). The amount of interest to be paid and/or the Cash Amount and/or the Conversion Amount may or may not be dependent upon the performance of an underlying reference rate, share, index (including in the case of an index, the index and its constituent</p>

elements) or basket (each an “**Underlying**” together, the “**Underlyings**”), in all cases, as provided in the terms of the relevant note. The types of note that may be issued under this Base Prospectus are described below.

**Range Accrual Notes:**

Range accrual notes are interest bearing cash settled securities. Range accrual notes are redeemed at a percentage of their nominal amount. The amount of interest paid on a range accrual note depends on the performance of one or more underlying reference rates, as specified in the applicable Final Terms. Typically, interest will accrue for each relevant day in an interest period on which the Underlying performs in the manner specified in the Final Terms but will not accrue in respect of other days. Interest on a range accrual note may also be paid at a pre-determined specified rate for certain interest periods specified in the applicable Final Terms.

**Ladder Notes:**

Ladder notes are interest bearing cash settled securities which may be called by the Issuer on specified dates. Ladder notes are redeemed at a percentage of their nominal amount. The amount of interest paid on a ladder note depends on the performance of an underlying reference rate, as specified in the applicable Final Terms. Typically, interest will be paid in respect of each interest period either at a pre-determined specified rate or at the difference between a pre-determined specified rate and an identified floating rate for the relevant interest period, subject in the latter case to any minimum rate specified for the relevant interest period, all as specified in the applicable Final Terms.

**Target Coupon Notes:**

Target coupon notes are interest bearing cash settled securities. Target coupon notes are redeemed at a percentage of their nominal amount. The amount of interest paid on a target coupon note depends on the performance of one or more underlying shares, as specified in the applicable Final Terms. Typically, a target interest amount will be set which, if reached prior to maturity, may result in early termination of the securities. In certain cases additional interest amounts may also be paid as specified in the applicable Final Terms.

**Rate Notes:**

Rate notes are cash settled securities which may or may not bear interest and are redeemed at their nominal amount or a stated percentage thereof. The amount of interest paid on a rate note may depend on the performance of one or more underlying reference rates and/or may be determined by reference to a fixed rate or rates, as specified in the applicable Final Terms.

**Zero Coupon Notes**

Zero coupon notes are cash settled securities which are issued at a percentage of the nominal amount and which do not bear any interest.

**Currency Exchange Notes:**

Currency exchange notes are cash settled securities which may or may not bear interest and are redeemed at (i) their nominal amount or a stated percentage thereof or (ii) an amount equal to a percentage of the Underlying as specified in the applicable Final Terms. The amount of interest paid on a currency exchange note will depend on the performance of one or more underlying currency exchange rates, as specified in the applicable Final Terms.

**Yield Discovery Notes:**

Yield discovery notes are capital protected interest bearing cash settled securities. Yield discovery notes are redeemed at their nominal amount. The amount of interest paid on a yield discovery note depends on the performance of an underlying basket of shares, as specified in the applicable Final Terms. The maximum rate of interest so determined may be capped at the level specified in the applicable Final Terms. Interest on a yield discovery note may also be paid at a pre-determined specified rate for certain interest periods as specified in the applicable Final Terms. The rate of interest for certain interest periods may be at least the level of the previous year.

**Certificate Notes:**

Certificate notes are cash settled securities which may or may not be interest bearing or capital protected. The Cash Amount payable at maturity of a certificate note will at least equal its nominal amount (if it is capital protected) plus a return (which may be zero) calculated by reference to the performance of one or more underlying certificates, as specified in the applicable

Final Terms.

**Index Notes:**

Index notes are cash settled securities which may be partially or fully capital protected and may be interest bearing. If applicable, interest may be payable at a rate specified in the applicable Final Terms. The Cash Amount payable at maturity on an index note will at least equal a specified percentage of its nominal amount but may be higher than that amount and may be subject to a capped maximum gain depending on the performance of the Underlying, as specified in the applicable Final Terms.

**Inflation Index Notes:**

Inflation index notes are fixed-income securities that track an inflation index. The Cash Amount payable at maturity on an inflation index note may equal a specified percentage of its nominal amount but may depend on the performance of the inflation index, as specified in the applicable Final Terms.

**Callable Index Notes:**

Callable index notes are non-interest bearing cash settled securities. The Cash Amount payable on the note will depend on the performance of the underlying index specified in the applicable Final Terms. If during the life of the note the Issuer determines that an early redemption event has occurred, the note may be redeemed at an amount determined in the manner specified in the applicable Final Terms. If, by the maturity date, an early redemption event has not occurred, the Cash Amount paid in respect of the note will depend upon the performance of the Underlying at maturity and may be less than the nominal amount of the note.

**Autocallable Notes:**

Autocallable Notes are cash settled or physically settled (if specified in the applicable Final Terms) securities which may or may not be capital protected and may be interest bearing. The Cash Amount payable on, and the maturity date of, the note will depend on the performance of the Underlying specified in the applicable Final Terms. If on specified dates during the life of the note the level of the Underlying performs in a specified manner (an “**Early Termination Event**”), the note will be redeemed at its nominal amount plus an additional amount specified in the applicable Final

Terms. If, by the maturity date, an Early Termination Event has not occurred, the Cash Amount paid in respect of the note will depend upon the performance of the Underlying at maturity and may be less than the nominal amount of the note.

**Share Notes:**

Share notes are cash settled securities and may be interest bearing. If applicable, interest may be payable on a share note at a rate specified in the applicable Final Terms. The Cash Amount payable at maturity of a share note may be at least equal to a specified percentage of its nominal amount, may be subject to a capped gain and/or may depend on the performance of the Underlying, as specified in the applicable Final Terms.

**Exchangeable Notes:**

Exchangeable notes may be cash settled or physically settled securities and may be interest bearing. If applicable, interest may be payable on an exchangeable note at a rate specified in the applicable Final Terms. The cash amount payable at maturity of a cash settled exchangeable note may be at least equal to a specified percentage of its nominal amount, may be subject to a capped gain and/or may depend on the performance of the Underlying, as specified in the applicable Final Terms. In the case of a physically settled exchangeable note, the share amount to be delivered will be determined by reference to the performance of the underlying share in the manner specified in the applicable Final Terms.

**Multi-Asset Basket Linked Notes:**

Multi-asset Basket Linked Notes are cash settled securities which may be partially or fully capital protected and may be interest bearing. If applicable, interest may be payable at a rate specified in the applicable Final Terms. The cash amount payable at maturity on a note will at least equal a specified percentage of its Nominal Amount but may be higher than that amount and may be subject to a capped maximum gain depending on the performance of the Underlying, as specified in the applicable Final Terms.

**Fund Linked Notes:**

Fund linked notes are cash settled securities which may be partially or fully capital protected and may be interest bearing.

If applicable, interest may be payable at a rate specified in the applicable Final Terms.

**Basket related Capital Protected Notes:** Basket related capital protected notes enable investors to participate in the performance of one or more baskets of different components relating to the relevant Series (including, without limitation and as specified in the applicable Final Terms, an index component, a real estate index component, a commodity component or a bond index component). In addition to capital protection, an investor may, as specified in the applicable Final Terms, receive an additional amount depending on the performance of one or more baskets of different components. If specified in the applicable Final Terms, an Interim Cash Settlement Amount or Interest Amount (each as defined in the applicable Final Terms) will be payable (subject to any applicable conditions being met) on the Interim Cash Settlement Amount Payment Date or each Interest Payment Date, as the case may be.

**Commodity Notes:** Commodity notes are cash settled securities which may be partially or fully capital protected and may or may not be interest bearing. The Cash Amount payable at maturity of a commodity note is calculated by reference to the performance of one or more underlying commodities, as specified in the applicable Final Terms.

**Index and Inflation Index Notes:** Index and Inflation Index notes are cash settled securities which are redeemed at their nominal amount or a stated percentage thereof, and may be interest bearing. If applicable, interest will be payable at a rate specified in the applicable Final Terms; that may depend upon the performance of both the index and the inflation index to which the notes are linked.

**Indicative Issue Price:** The Securities will be issued at their nominal amount or a percentage thereof.

**Maturity:** The Securities have a fixed maturity date, as specified in the applicable Final Terms, but may be subject to early termination in the event that the level of the Underlying exceeds a level specified in the applicable Final Terms or if the

Issuer has a call option.

**Interest:**

The Securities may bear interest, as specified in the applicable Final Terms.

**General Conditions:**

Set out below is a summary of certain significant provisions of the General Conditions applicable to all Securities issued under this Base Prospectus.

*Status of the Securities:*

The Securities constitute unsecured and unsubordinated obligations of the Issuer and rank pari passu among themselves and with all other present and future unsecured and unsubordinated obligations of the Issuer save for those preferred by mandatory provisions of law.

*Early Termination:*

The Issuer may terminate any Securities if it shall have determined in its absolute discretion that its performance thereunder shall have become unlawful in whole or in part as a result of compliance in good faith by the Issuer with any applicable law. In such circumstances the Issuer will, to the extent permitted by law, pay to each Holder in respect of each Security held by such Holder an amount calculated by it as the fair market value of the Security immediately prior to such termination (ignoring such illegality) less the cost to the Issuer of unwinding any related hedging arrangements.

The Issuer may terminate any Securities if it shall have determined in its absolute discretion that payments made on the Securities are, in whole or in part, directly or indirectly contingent upon, or determined by reference to, the payment of a dividend from a U.S. entity and that these payments have or will become subject to U.S. withholding tax. In such circumstances the Issuer will, to the extent permitted by law, pay to each Holder in respect of each Security held by such Holder an amount calculated by it as the fair market value of the Security immediately prior to such termination less the cost to the Issuer of unwinding any related hedging arrangements and of paying any required U.S. withholding tax.

*Hedging Disruption:*

If a Hedging Disruption Event (as defined in General Condition 5) occurs, the Issuer will at its discretion

(i) terminate the Securities and pay to each Holder in respect of each Security held by such Holder an amount calculated by it as the fair market value of the Security immediately prior to such termination less the cost to the Issuer of unwinding any related hedging arrangements or (ii) make a good faith adjustment to the relevant reference asset as described in General Condition 5(c) or (iii) make any other adjustment to the Conditions as it considers appropriate in order to maintain the theoretical value of the Securities after adjusting for the relevant Hedging Disruption Event. The Issuer may make adjustments following any event likely to have a material adverse effect on the Issuer's hedge position, subject to the conditions set out in General Condition 5(d).

*Substitution:*

The Issuer may at any time, without the consent of the Holders substitute for itself as Issuer of the Securities any entity subject to the conditions set out in General Condition 8. In certain cases, substitution may be required to be effected in accordance with the rules of one or more clearing systems specified in the applicable Final Terms.

*Taxation:*

The Holder (and not the Issuer) shall be liable for and/or pay any tax, duty or charge in connection with the ownership of and/or any transfer, payment or delivery in respect of the Securities held by such Holder. The Issuer shall have the right, but shall not be obliged, to withhold or deduct from any amount payable to any Holder such amount as shall be necessary to account for or to pay any such tax, duty, charge, withholding or other payment.

*Events of Default:*

The terms of the Securities will contain the following events of default:

- (a) default in payment of any principal or interest due in respect of the Securities, continuing for a specified period of time;
- (b) non-performance or non-observance by the Issuer of any of its other obligations under the Securities continuing for a specified period of time; and

(c) events relating to the winding up of the Issuer.

**Product Conditions:**

Set out below is a summary of certain significant provisions of the Product Conditions applicable to the Securities to be issued under this Base Prospectus.

*Form of Securities:*

The Securities, other than Securities issued in dematerialised form, will be issued in global bearer form.

If CREST (defined below under “General Information” – “Clearing and Settlement Systems”) is specified as the Clearing Agent in the applicable Final Terms, notwithstanding any provisions to the contrary contained in this Base Prospectus, the Securities will be registered Securities in dematerialised and uncertificated form.

*Settlement of Securities:*

Securities shall be cash settled or, in the case of exchangeable notes, either cash settled or physically settled, as specified in the applicable Final Terms.

*Market Disruption Events:*

If a Market Disruption Event occurs Holders of Securities may experience a delay in settlement or delivery and the cash price paid or share amount delivered, as the case may be, on settlement may be adversely affected. Market Disruption Events are defined in Product Condition 4 for each type of Security and vary depending on the type of Security.

*Emerging Market Disruption Events:*

The Emerging Market Disruption Events reflect the substantial risks associated with investing in emerging markets in addition to those risks normally associated with making investments in other countries. Potential investors should note that the securities markets in emerging market jurisdictions are generally substantially smaller and at times have been more volatile and illiquid than the major securities markets in more developed countries. If an Emerging Market Disruption Event occurs Holders may experience a delay in settlement or delivery and the cash price paid on settlement may be adversely affected. Emerging Market Disruption Events are defined in Product Condition 1 for each type of Security.

*Settlement Disruption Event:*

If a Settlement Disruption Event occurs in relation to a physically settled certificate, the Holder may experience a

delay in delivery of the Underlying and, where a cash price equivalent to the value of the Underlying is paid in lieu of delivery of the Underlying, the cash price paid may be adversely affected. Settlement Disruption Events are defined in the Product Conditions for Securities which may be physically settled and vary depending on the type of Security.

*Potential Adjustment Event:*

If a Potential Adjustment Event occurs the Calculation Agent may adjust one or more of the Conditions to account for the diluting or concentrative effect of the Potential Adjustment Event. Potential Adjustment Events are defined in Product Condition 4 for each type of Security (if applicable) and vary depending on the type of Security.

*Fund Event:*

If a Fund Event occurs, the Issuer or the Calculation Agent on its behalf, in each case acting in good faith and in a commercially reasonable manner, may adjust one or more of the Conditions to reflect the impact of the Fund Event, or may terminate the Securities. Fund Events are defined in Product Condition 4 for each type of Security (if applicable).

*Adjustments to an Index:*

The Calculation Agent may adjust the level of an index Underlying upon the occurrence of certain specified events in connection with any component share(s) of such index or any other similar event having a dilutive or concentrative effect on the theoretical value of any such share(s). The Calculation Agent may be required by the Issuer to terminate the Securities following a material modification of an index Underlying.

*De-listing, Merger Event, Nationalisation or Insolvency:*

If a De-listing, Merger Event, Nationalisation or Insolvency occurs, the Issuer may require the Calculation Agent to adjust one or more of the Conditions, including replacing the relevant Underlying, to account for such event or may cancel the Securities. De-listing, Merger Event, Nationalisation and Insolvency are each defined in Product Condition 4 for each type of Security (if applicable).

*Governing Law:*

English law.

*English courts:*

The courts of England have exclusive jurisdiction to settle any dispute arising from or in connection with the Securities.

**Final Terms:**

Each Series will be the subject of a Final Terms which will contain the final terms applicable to the Series. The form of the Final Terms applicable to each type of Security is set out in this Base Prospectus.

The Final Terms applicable to each Series may specify amendments to the General Conditions and/or the relevant Product Conditions as they apply to that Series.

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## RISK FACTORS

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*The Issuer believes that the following factors may affect its ability to fulfil its obligations under Securities issued. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*In addition, factors which are material for the purpose of assessing the market risks associated with Securities issued are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in Securities issued, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Securities, or to perform any delivery obligations in relation to the Securities, may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Securities are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.*

*Before making an investment decision with respect to any Securities, prospective investors should consult their own stockbroker, bank manager, lawyer, accountant or other financial, legal and tax advisers and carefully review the risks entailed by an investment in the Securities and consider such an investment decision in the light of the prospective investor's personal circumstances.*

*Words and expressions defined elsewhere in this Base Prospectus shall have the same meaning in this section.*

### **Factors that may affect the Issuer's ability to fulfil its obligations under Securities issued**

Each potential investor in the Securities should refer to the Risk Factors section in the Registration Document incorporated by reference in this Base Prospectus for a description of those factors which may affect the Issuer's ability to fulfil its obligations under Securities issued.

### **Factors which are material for the purpose of assessing the market risks associated with Securities issued**

#### ***The Securities are notes which entail particular risks***

The notes to be issued are investment instruments which may or may not bear interest and which (except in the case of exchangeable notes) at maturity or earlier termination pay the Cash Amount which may or may not be equal to the nominal amount of the relevant note. In the case of exchangeable notes, the Holder has the option at maturity or earlier termination to exchange the notes for a defined amount of the Underlying or the Conversion Amount, depending upon the terms of the exchangeable securities. As such, each note will entail particular risks. Notes which are not capital protected may result in the Holder losing some or, in

certain limited cases, all of his initial investment. Notes where the interest amount paid is dependent upon the performance of the Underlying may result in the Holder receiving no or only a limited periodic return on his investment.

The price at which a Holder will be able to sell notes prior to their redemption may be at a potentially substantial discount to the market value of the notes at the issue date, if, at such time and in addition to any other factors, the value of the Underlying is below, equal to or not sufficiently above the value of the Underlying at the issue date.

***The Securities may not be a suitable investment for all investors***

Each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Base Prospectus or any applicable Final Terms;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact the Securities will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including Securities with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Securities and be familiar with the behaviour of any relevant indices and financial markets;
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks; and
- (f) NOT consider that the issue of Securities linked to a particular Underlying is a recommendation by the Issuer or any Dealer to invest (whether directly or indirectly) in that Underlying or any of its constituent elements. The Issuer and/or its affiliates may make investment decisions for themselves which differ from those that a potential investor would make by investing in the Securities. In particular, investment decisions of the Issuer and/or its affiliates are based on their current economic circumstances, overall credit exposure, risk tolerance and economic conditions, which are subject to change. The Issuer is not required to hold the Underlying (or its constituent elements) as a hedge and it may choose not to do so.

Some Securities are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial

instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Securities which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of the Securities and the impact this investment will have on the potential investor's overall investment portfolio.

***The value of the Securities may fluctuate***

The value of the Securities may move up and down between their date of purchase and their maturity date. Holders may sustain a total loss of their investment (unless the Securities are of a type in which capital is protected). Prospective purchasers should therefore ensure that they understand fully the nature of the Securities before they invest in the Securities.

Several factors, many of which are beyond the Issuer's control, will influence the value of the Securities at any time, including the following:

- (a) *Valuation of the Underlying.* The market price of the Securities at any time is expected to be affected primarily by changes in the level of the Underlying to which such Securities are linked. It is impossible to predict how the value of the relevant Underlying will vary over time. Factors which may have an affect on the value of the Underlying include, in the case of a stock or index, the rate of return of the Underlying and the financial position and prospects of the issuer of the Underlying or any component thereof. In addition, the value of the Underlying may depend on a number of interrelated factors, including economic, financial and political events and their effect on the capital markets generally and relevant stock exchanges. Potential investors should also note that whilst the market value of the Securities is linked to the relevant Underlying and will be influenced (positively or negatively) by it, any change may not be comparable and may be disproportionate. It is possible that while the Underlying is increasing in value, the value of the Securities may fall. Further, where no market value is available for an Underlying, the Calculation Agent may determine its value to be zero notwithstanding the fact that there may be no Market Disruption Event (including an Emerging Market Disruption Event) and/or no Potential Adjustment Events and/or no De-listing and/or no Fund Event which apply.
- (b) *Interest Rates.* Investments in the Securities may involve interest rate risk with respect to the currency of denomination of the Underlying and/or the Securities. A variety of factors influence interest rates such as macro economic, governmental, speculative and market sentiment factors. Such fluctuations may have an impact on the value of the Securities at any time prior to valuation of the Underlying relating to the Securities.
- (c) *Volatility.* The term "volatility" refers to the actual and anticipated frequency and magnitude of changes of the market price with respect to an Underlying. Volatility is affected by a number of factors such as macro economic factors, speculative trading and supply and demand in the options,

futures and other derivatives markets. Volatility of an Underlying will move up and down over time (sometimes more sharply than others) and different Underlyings will most likely have separate volatilities at any particular time.

- (d) *Exchange Rates.* Even where payments in respect of the Securities are not expressly linked to a rate or rates of exchange between currencies, the value of the Securities could, in certain circumstances, be affected by such factors as fluctuations in the rates of exchange between any currency in which any payment in respect of the Securities is to be made and any currency in which the Underlying is traded, appreciation or depreciation of any such currencies and any existing or future governmental or other restrictions on the exchangeability of such currencies. There can be no assurance that rates of exchange between any relevant currencies which are current rates at the date of issue of any Securities will be representative of the relevant rates of exchange used in computing the value of the relevant Securities at any time thereafter. If the Securities are denominated in the lawful currency of the People's Republic of China (which for the purpose of this document, excludes the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan) ("CNY"), please also refer to the risk factor below entitled "Risks in relation to Securities denominated in CNY only".
- (e) *Disruption.* If so indicated in the Conditions, the Calculation Agent may determine that a Market Disruption Event (which includes Emerging Market Disruption Events), Fund Event, Potential Adjustment Event and/or De-listing has occurred or exists at a relevant time. Any such determination may affect the value of the Securities and/or may delay settlement in respect of the Securities. In addition, if so indicated in the Conditions, a Calculation Agent may determine that a Settlement Disruption Event has occurred or exists at any relevant time in relation to a physically settled note. Any such determination may cause a delay in delivery of the Underlying and, where a cash price equivalent to the value of the Underlying is paid in lieu of delivery of the Underlying, the cash price paid may be adversely affected.

Prospective purchasers should review the Conditions to ascertain whether and how such provisions apply to the Securities.

- (f) *Creditworthiness.* Any person who purchases the Securities is relying upon the creditworthiness of the Issuer and has no recourse, in that respect, against any other person. The Securities constitute general, unsecured, contractual obligations of the Issuer and of no other person. Investors in Securities may therefore lose the entire value of their investment or part of it. The Securities rank pari passu among themselves.

***There may not be a secondary market in the Securities***

Potential investors should be willing to hold the Securities through their life. The nature and extent of any secondary market in the Securities cannot be predicted. As a consequence any person

intending to hold the Securities should consider liquidity in the Securities as a risk. If the Securities are listed or quoted on an exchange or quotation system this does not imply greater or lesser liquidity than if equivalent Securities were not so listed or quoted. However, if Securities are not listed or quoted there may be a lack of transparency with regard to pricing information. Liquidity may also be affected by legal restrictions on offers for sale in certain jurisdictions. The Issuer may affect the liquidity of the Securities by purchasing and holding the Securities for its own account during trading in the secondary market. Any such Securities may be resold at any time into the market.

The Issuer may, in its sole and absolute discretion, decide to offer a secondary market in the Securities. In the event that the Issuer elects to offer such secondary market, the Issuer shall be entitled to impose such conditions as it, in its sole and absolute discretion, shall deem fit, including but not limited to:

- (a) providing a large bid/offer spread determined by the Issuer in its sole and absolute discretion by reference to the Issuer's own appreciation of the risks involved in providing such secondary market;
- (b) providing the timing that any secondary market quotation will remain actionable, or in any event, not longer than what the Issuer considers a reasonable time;
- (c) normal market conditions prevailing at such date; and
- (d) limiting the number of Securities in respect of which it is prepared to offer such secondary market.

Holders should note that the imposition of any of the above conditions may severely limit the availability of any such secondary market and may result in Holders receiving significantly less than they otherwise would have received if the Securities were redeemed at maturity.

The Issuer may determine a secondary market price in a different manner than other market participants, and prices can vary. Sometimes this variance may be substantial. If the Securities are not traded on any exchange, pricing information may be more difficult to obtain and the liquidity and price of the Securities may be adversely affected. The bid/offer spread will be subject to the Issuer's discretion. Any market making activity commenced may be discontinued at any time.

In the event that a secondary market does not develop, it is unlikely that an investor in the Securities will be able to sell his Securities or at prices that will provide him with a yield comparable to similar investments that have a developed secondary market.

### ***Over-Issuance***

As part of its issuing, market-making and/or trading arrangements, the Issuer may issue more Securities than those which are to be subscribed or purchased by third party investors. The Issuer (or any of its affiliates) may hold such Securities for the purpose of meeting any investor interest in the future. Prospective investors in the Securities should therefore not regard the issue size of any Series as indicative of the depth or liquidity of the market for such Series, or of the demand for such Series.

***Purchasing the Securities as a hedge may not be effective***

Any person intending to use the Securities as a hedge instrument should recognise the correlation risk. The Securities may not be a perfect hedge to an Underlying or portfolio of which the Underlying forms a part. In addition, it may not be possible to liquidate the Securities at a level which directly reflects the price of the Underlying or portfolio of which the Underlying forms a part.

***Actions taken by the Issuer may affect the value of the Securities***

The Issuer and/or any of its affiliates may carry out activities that minimise its and/or their risks related to the Securities, including effecting transactions for their own account or for the account of their customers and hold long or short positions in the Underlying whether for risk reduction purposes or otherwise. In addition, in connection with the offering of any Securities, the Issuer and/or any of its affiliates may enter into one or more hedging transactions with respect to the Underlying. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by the Issuer and/or any of its affiliates, the Issuer and/or any of its affiliates may enter into transactions in the Underlying which may affect the market price, liquidity or value of the Underlying and/or the Securities and which could be deemed to be adverse to the interests of the Holders. The Issuer and/or its affiliates are likely to modify their hedging positions throughout the life of the Securities whether by effecting transactions in the Underlying or in derivatives linked to the Underlying. Further, it is possible that the advisory services which the Issuer and/or its affiliates provide in the ordinary course of its/their business could lead to an adverse impact on the value of the Underlying.

The Issuer may also make adjustments to the Conditions if it determines that an event has occurred which, whilst not a Hedging Disruption Event or other disruption event is likely to have a material adverse effect on the Issuer's Hedge Position. Any such determination may affect the value of the Securities and/or may delay settlement in respect of the Securities.

***Disruption of the Issuers Hedge Position may affect the value of the Securities***

The Issuer may enter into a hedging transaction in the relevant jurisdiction of the Underlying in order to offer exposure to the Underlying. Foreign exchange control restrictions, including restrictions which prevent the conversion of the Underlying Currency (as defined in the Product Conditions) into the Settlement Currency (as defined in the Product Conditions) and the transfer of the Settlement Currency to accounts outside the jurisdiction of the Underlying could result in a delay in the determination of the Final Reference Price and the Settlement Date, which delay could be lengthy.

In certain circumstances, including but not limited to, the insolvency of the hedging counterparty or the unenforceability of the associated hedging transaction, an investor may lose some or all of its investment as specified in Product Condition 3(d) below.

***Holders have no ownership interest in the Underlying***

The Securities convey no interest in the Underlying. The Issuer may choose not to hold the Underlying or any derivatives contracts linked to the Underlying. There is no restriction through the issue of the Securities on the ability of the Issuer and/or its affiliates to sell, pledge or otherwise convey all right, title and interest in any Underlying or any derivatives contracts linked to the Underlying.

***Actions taken by the Calculation Agent may affect the Underlying***

The Calculation Agent is the agent of the Issuer and not the agent of the Holders or any of them. The Issuer may itself act as the Calculation Agent. The Calculation Agent will make such adjustments as it considers appropriate as a consequence of certain corporate or other actions affecting the Underlying. In making these adjustments the Calculation Agent is entitled to exercise substantial discretion and may be subject to conflicts of interest in exercising this discretion. The Calculation Agent is not required to make adjustments with respect to each and every corporate action.

***Taxes may be payable by investors***

Potential purchasers and sellers of the Securities should be aware that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Securities are transferred. Holders are subject to the provisions of General Condition 9 and payment and/or delivery of any amount due in respect of the Securities will be conditional upon the payment of any Expenses as provided in the Product Conditions.

Potential purchasers who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, potential purchasers should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time.

***No tax gross-up***

If payments on the Securities are or become subject to a withholding or deduction required by law on account of any present or future taxes, duties, assessments or governmental charges of whatever nature, the Issuer will make the required withholding or deduction, as the case may be, and neither the Issuer nor the Principal Agent nor any other person shall pay any additional amounts to the Holders in respect of such withholding or deduction. Please refer to section “General Condition 9 – Taxation”.

***Payments on the Securities may be subject to U.S. withholding tax and/or early termination on account of U.S. withholding tax***

Due to recently enacted U.S. legislation, payments on any Security that are, in whole or in part, directly or indirectly contingent upon, or determined by reference to, the payment of a dividend from a U.S. entity (a “**Dividend Equivalent Payment**”) may become subject to a 30% U.S. withholding tax when made to a beneficial owner that is not: (i) a citizen or individual resident of the United States, as defined in Section 7701(b) of the U.S. Internal Revenue Code, (ii) a corporation, including any entity treated as a corporation

for U.S. federal income tax purposes, created or organised in or under the laws of the United States, any State thereof or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source; or (iv) a trust if (x) a court within the United States is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust, or (y) such trust has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a United States person (a “**Non-U.S. holder**”). The imposition of this U.S. withholding tax will reduce the amounts received by Non-U.S. holders. Neither the Issuer nor the Principal Agent nor any other person shall pay any additional amounts to the Non-U.S. holders in respect of such U.S. withholding. Additionally, the Issuer may elect to terminate the Securities, in accordance with General Condition 3(b), should this U.S. withholding tax apply to any current or future payments on the Securities. If a Non-U.S. holder becomes subject to this withholding tax, the Non-U.S. holder may be able to claim any exemptions under its applicable double tax treaty. The application and interpretation of the rules governing U.S. withholding tax on Dividend Equivalent Payments is subject to change. The Securities may be terminated prior to their stated date.

#### ***U.S. Foreign Account Tax Compliance Withholding***

The Issuer and other non-U.S. financial institutions through which payments on the Securities are made may be required to withhold U.S. tax at a rate of 30 per cent. on all, or a portion of, payments made after 31 December 2016 in respect of (i) any Securities issued or materially modified on or after 1 January 2013 (and (ii) any Securities which are treated as equity for U.S. federal tax purposes, whenever issued) pursuant to the foreign account provisions (“**FATCA**”) of the Hiring Incentives to Restore Employment Act of 2010. This withholding tax may be triggered if (i) the Issuer is a foreign financial institution (“**FFI**”) (as defined in FATCA) which enters into and complies with an agreement with the U.S. Internal Revenue Service (“**IRS**”) to provide certain information on its account holders (making the Issuer a “**Participating FFI**”), (ii) the Issuer has a positive “passthru percentage” (as defined in FATCA), and (iii)(a) an investor does not provide information sufficient for the relevant Participating FFI to determine whether the investor is subject to withholding under FATCA U.S. person or should otherwise be treated as holding a “United States Account” of such Issuer, or (b) any FFI to or through which payment on such Securities is made is not a Participating FFI or otherwise exempt from FATCA withholding.

The application of FATCA to interest, principal or other amounts paid with respect to the Securities is not clear. If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Securities as a result of a holder’s failure to comply with these rules or as a result of the presence in the payment chain of a non-Participating FFI, none of the Issuer, any paying agent or any other person would, pursuant to the Conditions, be required to pay additional amounts as a result of the deduction or withholding of such tax other than in respect of payments that the Issuer makes itself to the Paying Agents (as defined in the Conditions). As a result, investors may, if FATCA is implemented as currently proposed by the IRS, receive less interest or principal than expected. Holders of the Securities

should consult their own tax advisers on how these rules may apply to payments they receive under the Securities.

The application of FATCA to Securities issued or materially modified on or after 1 January 2013 (or whenever issued, in the case of Securities treated as equity for U.S. federal tax purposes) may be addressed in the applicable Final Terms or a supplement to this Base Prospectus, as applicable.

FATCA IS PARTICULARLY COMPLEX AND ITS APPLICATION TO THE ISSUER, THE SECURITIES AND THE HOLDERS IS UNCERTAIN AT THIS TIME. EACH HOLDER OF SECURITIES SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO LEARN HOW THIS LEGISLATION MIGHT AFFECT EACH HOLDER IN ITS PARTICULAR CIRCUMSTANCE.

***The Securities may be terminated prior to their stated date***

If the Issuer determines that the performance of its obligations under the Securities has become illegal or impractical in whole or in part for any reason or the Issuer determines that it is no longer legal or practical for it to maintain its hedging arrangement with respect to the Securities for any reason, the Issuer may at its discretion and without obligation terminate early the Securities. If the Issuer terminates early the Securities, the Issuer will, if and to the extent permitted by applicable law, pay the holder of each such Security an amount determined by the Calculation Agent to be its fair market value less the cost to the Issuer of unwinding any underlying related hedging arrangements notwithstanding the illegality or impracticality.

***Risks associated with Securities held in global form***

The Securities will initially be held by or on behalf of one or more clearing systems specified in the applicable Final Terms (each a “**Relevant Clearing System**”), either in the form of a global Security which will be exchangeable for definitive Securities in the event of the closure of all Relevant Clearing Systems or in dematerialised form depending on the rules of the Relevant Clearing System. For as long as any Securities are held by or on behalf of a Relevant Clearing System, payments of principal, interest and any other amounts will be made through the Relevant Clearing System, where required, against presentation or surrender (as the case may be) of any relevant global Security and, in the case of a temporary global Security in bearer form, certification as to non-U.S. beneficial ownership. The risk is that the bearer, as the case may be, of the relevant global Security, typically a depositary or a nominee for a depositary for the Relevant Clearing System, or, in the case of Securities in dematerialised form, the Relevant Clearing System and not the Holder itself, shall be treated by the Issuer and any Agent (as defined in the Conditions) as the sole holder of the relevant Securities with respect to the payment of principal, interest (if any) and any other amounts payable in respect of the Securities or any securities deliverable in respect of the Securities. Holders therefore are required to look to the Relevant Clearing System in respect of payments made to it by the Issuer in respect of Securities in global or dematerialised form.

Securities which are held by or on behalf of a Relevant Clearing System will be transferable only in accordance with the rules and procedures for the time being of the Relevant Clearing System.

***Risk associated with nominee arrangements***

Where a nominee service provider is used by an investor to hold Securities or such investor holds interests in any Security through accounts with a Relevant Clearing System, such investor will receive payments in respect of principal, interest, or any other amounts due, or securities deliverable, as applicable, solely on the basis of the arrangements entered into by the investor with the relevant nominee service provider or Relevant Clearing System, as the case may be. Furthermore, such investor must rely on the relevant nominee service provider or Relevant Clearing System to distribute all payments or securities attributable to the relevant Securities which are received from the Issuer. Accordingly, such an investor will be exposed to the credit risk of, and default risk in respect of, the relevant nominee service provider or Relevant Clearing System, as well as the Issuer.

In addition, such a Holder will only be able to sell any Securities held by it prior to their stated maturity date with the assistance of the relevant nominee service provider.

None of the Issuer or any Agent shall be responsible for the acts or omissions of any relevant nominee service provider or Relevant Clearing System nor makes any representation or warranty, express or implied, as to the service provided by any relevant nominee service provider or Relevant Clearing System.

***The return on an investment in Securities will be affected by charges incurred by investors***

An investor's total return on an investment in any Securities will be affected by the level of fees charged by any nominee service provider and/or Relevant Clearing System used by the investor. Such a person or institution may charge fees for the opening and operation of an investment account, transfers of Securities, custody services and on payments of interest, principal and other amounts or delivery of securities. Potential investors are therefore advised to investigate the basis on which any such fees will be charged on the relevant Securities.

***Change of law and jurisdiction***

The Conditions are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible change to English law or administrative practice after the date of this Base Prospectus. Prospective investors in the Securities should note that the courts of England and Wales shall have jurisdiction in respect of any disputes involving the Securities. Holders may, however, take any suit, action or proceedings arising out of or in connection with the Securities against the Issuer in any court of competent jurisdiction. English law may be materially different from the equivalent law in the home jurisdiction of prospective investors in its application to the Securities.

There may be changes to laws, or their interpretation, in other countries which affect the Securities. Changes in taxation, corporate, regulatory and money laundering laws in any relevant jurisdiction could have a negative impact on the value of the Securities.

### ***Credit ratings may not reflect all risks***

One or more independent credit rating agencies may assign credit ratings to the Issuer or the Securities. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Securities. Where a Series of Securities is to be rated, such rating will not necessarily be the same as any rating assigned to any Securities already issued. Whether or not a rating in relation to any Series of Securities will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

### ***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Securities are legal investments for it, (ii) Securities can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Securities under any applicable risk-based capital or similar rules.

### ***Modification, waivers and substitution***

The Issuer may decide to make modifications to the Securities without the consent of the Holders which may affect the Holders' interest either:

- (a) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest error, proven error or other defective provision, as determined by the Issuer; or
- (b) in any other manner which is not materially prejudicial to the interests of the Holders; or
- (c) for the purpose of the substitution of another company as principal debtor under any Securities in place of the Issuer, in the circumstances described in General Condition 8.

### ***Risks in relation to Securities denominated in CNY only***

#### ***CNY is not freely convertible and may adversely affect the liquidity of the Securities***

CNY is not freely convertible at present. The government of the People's Republic of China (which for the purpose of this document, excludes the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan) ("PRC") continues to regulate conversion between CNY and foreign currencies, including the Hong Kong dollar, despite the significant reduction over the years by the PRC government of its control over routine foreign exchange transactions under current accounts. The People's Bank of China ("PBOC") has established a clearing and settlement system pursuant to the Settlement Agreement on the Clearing of CNY Business

between PBOC and Bank of China (Hong Kong) Limited. However, the current size of CNY and CNY denominated financial assets in Hong Kong is limited, and its growth is subject to many constraints which are corollary of PRC laws and regulations on foreign exchange and may adversely affect the liquidity of the Securities.

*CNY currency risk*

Except in limited circumstances, all payments of CNY under the Securities will be made solely by transfer to a CNY bank account maintained in Hong Kong in accordance with the prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in bank notes or by transfer to a bank account in the PRC or anywhere else outside Hong Kong). CNY is not freely convertible at present, and conversion of CNY through banks in Hong Kong is subject to certain restrictions. In particular, for personal investors, currently conversions of CNY conducted through CNY deposit accounts are subject to a daily limit (as of the date of this Supplement, such limit being up to CNY20,000 per person per day), and investors may have to allow time for conversion of CNY from/to another currency of an amount exceeding such daily limit.

In addition, there can be no assurance that access to CNY funds for the purposes of making payments under the Securities or generally may remain or will not become restricted. If it becomes impossible to convert CNY from/to another freely convertible currency, or transfer CNY between accounts in Hong Kong, or the general CNY exchange market in Hong Kong becomes illiquid, any payment of CNY under the Securities may be delayed or the Issuer may make such payments in another currency using an exchange rate determined by the Calculation Agent, or the Issuer may redeem the Securities.

*Investment in the Securities is subject to exchange rate risk*

The value of CNY against the Hong Kong dollar and other foreign currencies fluctuates and is affected by changes in the PRC and international political and economic conditions and by many other factors. The Issuer will make all CNY payments under the Securities in CNY. As a result, the value of such payments in CNY (in Hong Kong dollar or other applicable foreign currency terms) may vary with the prevailing exchange rates in the marketplace. If the value of CNY depreciates against the Hong Kong dollar or other foreign currencies, the value of an investor's investment in Hong Kong dollar or other applicable foreign currency terms will decline.

*Interest rate risk*

The value of CNY payments under the Securities may be susceptible to interest rate fluctuations, including Chinese CNY Repo Rates and/or the Shanghai Interbank Offered Rate (SHIBOR).

### *Offshore CNY Currency Event*

If any one of CNY Non-Transferability, CNY Inconvertibility or CNY Illiquidity exists on a payment date, the Calculation Agent may make such adjustments and/or determinations or take such actions in relation to the Securities, in its sole and absolute discretion, as set out in the Conditions, where:

**CNY Non-Transferability** means the occurrence of any event that makes it impossible, impracticable or illegal for the Issuer and/or any of its affiliates to transfer CNY: (i) between accounts inside Hong Kong; (ii) from an account inside Hong Kong to an account outside Hong Kong and outside the PRC; or (iii) from an account outside Hong Kong and outside the PRC to an account inside Hong Kong;

**CNY Inconvertibility** means the occurrence of any event that makes it impossible, impracticable or illegal for the Issuer and/or any of its affiliates to convert any amount as may be required to be paid by the Issuer under the Securities on any payment date or such other amount as may be determined by the Calculation Agent in its sole and absolute discretion at the general CNY exchange market in Hong Kong; and

**CNY Illiquidity** means the occurrence of any event that makes it impossible, impracticable or illegal for the Issuer and/or any of its affiliates to obtain a firm quote of an offer price in respect of an amount in CNY equal to any amount which the Issuer considers necessary to discharge its obligations under the Securities.

### ***Risks relating to Proprietary Indices***

#### *Proprietary and rules-based trading index or strategy*

Each index or strategy set out in Proprietary Index Descriptions herein (each a “**Proprietary Index**”) follows a notional rules-based proprietary trading strategy that operates on the basis of pre-determined rules. Accordingly, potential investors in Securities which are linked to the performance of a Proprietary Index should determine whether the relevant rules are appropriate in light of their individual circumstances and investment objectives.

No assurance can be given that the strategy of a Proprietary Index employed by the sponsor of such Proprietary Index (the “**Index Sponsor**”) will be successful, generate positive returns, outperform any benchmark or other indices or that the return (if any) on a Proprietary Index will be as projected or estimated.

#### *An investment in Securities linked to any Proprietary Index may not be a suitable investment for all investors*

Securities linked to a Proprietary Index are complex financial instruments and such Securities may be purchased as a way for investors to acquire particular market exposures or seek enhanced yield with an appropriate addition of risk to their overall portfolio. Prospective investors should not invest in complex financial instruments unless they have the expertise to evaluate how such an instrument may perform under changing conditions, the resulting effects on the value of such instrument and the impact this investment will have on their overall investment portfolio.

### *No recourse to assets*

Each Proprietary Index is purely synthetic. The exposure to the components of a Proprietary Index is purely notional and will exist only in the records held by the relevant Index Sponsor. There are no assets or components to which any person is entitled or in which any person has any ownership interest or which serve as collateral for any investment product related to a Proprietary Index.

### *Termination, cancellation and suspension of a Proprietary Index*

The Index Sponsor and the calculation agent of a Proprietary Index are under no obligation to continue the calculation, publication and dissemination of the Proprietary Index. A Proprietary Index may be terminated, cancelled or suspended at any time by the relevant Index Sponsor. This may cause the Issuer to amend or terminate Securities linked to the Proprietary Index. The termination of a Proprietary Index or the amendment or termination of Securities may have a negative impact on the return on any investment in an Securities related to the Proprietary Index.

### *Simulated operating history*

Each Proprietary Index was first calculated on or about the date on which the relevant Proprietary Index documentation was completed and therefore lacks actual historical performance. The relevant Index Sponsor may have retrospectively calculated the closing levels of a Proprietary Index from a defined base date to but excluding the first live date. Such levels are simulated and must be considered hypothetical and illustrative only. Simulated data may be based on certain assumptions (which may not be true in the future) and constructed using procedures that vary from those used to calculate the Proprietary Index following its establishment. The simulated operating history may materially differ from the actual performance of a Proprietary Index. Past performance should not be considered indicative of future performance.

### *Amendment or modification to Proprietary Index rules*

The rules governing a Proprietary Index may be amended, modified or adjusted from time to time by the calculation agent and/or the relevant Index Sponsor, as applicable. Any such amendment may be made without the consent of or notice to investors in instruments linked to a Proprietary Index and may have an adverse effect on the level of such Proprietary Index.

Notwithstanding the foregoing paragraph, in the event that the relevant Index Sponsor makes a material change in the formula for or the method of calculating the relevant Proprietary Index or in any other way materially modifies that Proprietary Index (other than a modification prescribed in that formula or method to maintain that Proprietary Index in the event of changes in an underlying asset and other routine events), the Issuer shall give notice as soon as practicable to investors in accordance with General Condition 4 giving details of the action proposed to be taken.

### *Sponsor/Calculation Agent discretion*

A Proprietary Index confers on the relevant calculation agent and/or Index Sponsor, as applicable, discretion

in making certain determinations, calculations and corrections from time to time. The exercise of such discretion in the making of calculations, determinations and corrections may adversely affect the performance of the relevant Proprietary Index.

#### *Dynamic Participation*

A Proprietary Index may be calculated using dynamic participation which means that the synthetic exposure to the components of such Proprietary Index can increase and/or decrease, and, in certain circumstances, create synthetic exposure to the components of such Proprietary Index in excess of 100 per cent. The use of dynamic participation may therefore leverage returns of a Proprietary Index. Leverage has the potential to magnify the gains or losses of the Proprietary Index which may (in the case of losses) have a negative impact on the value of the Securities.

#### *Market risk*

A Proprietary Index will be exposed to one or more of the following markets: equity, credit, commodity, foreign exchange, interest rate and fixed income markets. Investments in Securities linked to a Proprietary Index relating to these markets will be exposed to the market performance of the components of the Proprietary Index. This may be negatively affected by global economic, financial, political and natural developments, and such developments, among other things, may have a material effect on the performance of a Proprietary Index.

A Proprietary Index may be exposed to foreign exchange rates, which are volatile and subject to market conditions. The value of foreign exchange rates and futures are affected by rates of exchange between currencies or appreciation or depreciation of any currency and any existing or future governmental or other restrictions on the availability of exchanges between the relevant currencies.

A Proprietary Index may be exposed to emerging markets. Investing in emerging markets involves certain risks and special considerations not typically associated with investing in other more established economies or securities markets. The principal risks and special considerations are as follows: (i) the risk of nationalisation or expropriation of assets or confiscatory taxation; (ii) social, economic and political uncertainty; (iii) dependence on exports and the corresponding importance of international trade and commodities prices; (iv) less liquidity of securities markets; (v) currency exchange rate fluctuations; (vi) potentially higher rates of inflation (including hyper-inflation); (vii) controls on investment and limitations on repatriation of invested capital; (viii) a higher degree of governmental involvement in and control over the economies; (ix) government decisions to discontinue support for economic reform programmes and imposition of centrally planned economies; (x) differences in auditing and financial reporting standards which may result in the unavailability of material information about economics and issuers; (xi) less extensive regulatory oversight of securities markets; (xii) longer settlement periods for securities transactions; (xiii) less stringent laws regarding the fiduciary duties of officers and directors and protection of investors; and (xiv) certain consequences regarding the maintenance of portfolio securities and cash with sub-custodians and securities depositories in emerging market countries.

A Proprietary Index may reference the performance of commodities. The value of commodities is volatile and subject to market conditions. For example, the value of a commodity is subject to the supply of, and/or demand for, such commodity and whether or not any alternatives to that commodity exist. Additionally, commodity prices can be influenced by the prevailing political climate and government stability in commodity producing nations. Current market conditions for a commodity do not guarantee the performance, demand or supply of that commodity in the future. Changes in demand or supply of a commodity and the stability of political affairs will affect the performance of any Proprietary Index linked to the performance of commodities.

A Proprietary Index may reference the performance of futures contracts. Transactions in futures contracts involve the obligation to make, or to take, delivery of the underlying asset of the contract at a future date, or in some cases to settle the position with cash. They carry a high degree of risk. The ‘gearing’ or ‘leverage’ often obtainable in futures trading means that a small deposit or down payment can lead to large losses as well as gains. It also means that a relatively small movement can lead to a proportionately much larger movement in the value of an investment.

*Access Costs, Trading Costs, Performance Adjustment and Management Fee*

Prospective investors should be aware that the level of a Proprietary Index may be reduced by an Access Cost, Trading Cost, Performance Adjustment, Performance Fee and/or Management Fee all of which may be payable to the relevant Index Sponsor. For the avoidance of doubt, such costs, adjustments and fees are not passed on to investors in Securities linked to any Proprietary Index as a payment but instead are deducted from the level of any such Proprietary Index. This will, accordingly, have a negative impact on the return (if any) of an investment linked to any such Proprietary Index.

**Definitions:**

For these purposes:

“**Access Cost**” means the actual or notional costs charged and expenses incurred by the relevant Index Sponsor in connection with investing in each of the Constituents. The Access Cost is typically deducted from the daily return of the relevant Proprietary Index on a pro-rata daily basis and reduces the level of such Proprietary Index. The relevant Index Sponsor may change the Access Cost, acting in good faith, to reflect the changes in the costs charged and expenses incurred in gaining exposure to the Constituents.

“**Constituents**” mean the assets to which the relevant Proprietary Index are linked.

“**LIBOR**” means the London Interbank Offered Rate which represents the rate at which banks borrow from other banks in the financial markets in London. There is a LIBOR figure for most major currencies (i.e. EUR, GBP, USD) and the LIBOR figure can differ depending on its maturity. For example, the 1 month USD LIBOR can be 1.2 per cent. whilst the 3 month USD LIBOR can be 1.5 per cent.

“**Management Fee**” means a fee charged by the relevant Index Sponsor to maintain the relevant Proprietary Index (which includes, among other matters, operation, administrative and personnel costs). The

Management Fee is deducted from the level of a Proprietary Index on a pro-rata daily basis and therefore reduces the level of such Proprietary Index.

“**Performance Adjustment**” means an amount which is deducted from the relevant Proprietary Index to reflect (i) the costs incurred by the relevant Index Sponsor in gaining exposure to the Constituents and (ii) the costs to investor in funding exposure to the Constituents. The Performance Adjustment reduces the cost to the Issuer of taking a position in, and therefore gaining exposure to, a Constituent and is deducted from such Proprietary Index on a pro-rata daily basis. The Performance Adjustment can be a fixed level or a floating level. The floating level is often benchmarked to a LIBOR.

“**Performance Fee**” means a daily fee charged by the relevant Index Sponsor. The Performance Fee will be equal to a percentage of the daily performance of the Proprietary Index and will be deducted only if the level of the relevant Proprietary Index on a day on which the fee is deducted is above the highest level of the Proprietary Index previously seen.

“**Trading Cost**” means an actual or notional cost incurred by the relevant Index Sponsor in linking the relevant Proprietary Index to each Constituent in order to maintain the Proprietary Index. It may be deducted from the level of such Proprietary Index by such Index Sponsor when exposure to a Constituent is changed. The relevant Index Sponsor may change the Trading Cost, acting in good faith, to reflect the cost of changing exposure to each Constituent.

#### *Potential conflicts of interest*

The Issuer or one of its affiliates (including, but not limited to, The Royal Bank of Scotland N.V. and RBS Business Services Private Limited) may be the Index Sponsor or calculation agent in respect of a Proprietary Index to which the Securities are linked. As described above, the role of Index Sponsor or calculation agent would provide the Issuer (or one of its affiliates) with discretions to make certain determinations and judgements which may influence the Level of such Proprietary Index. Those discretions may be adverse to the interest of the holders of the Securities and may negatively impact the value of the Securities.

#### *Roll Return*

A Proprietary Index may have a long only exposure to futures contracts which means that the performance of such Proprietary Index (which can either be a positive or negative) will correlate with the performance of the relevant futures contract(s). Additionally, a Proprietary Index may be exposed to “roll return”. As each current front month contract (“**Current Front Month Contract**”) approaches expiry, it needs to be 'rolled' into a near front month contract (“**Near Front Month Contract**”) This involves selling the Current Front Month Contract and simultaneously purchasing the Near Front Month Contract. The roll return is the difference between the price at which the Current Front Month Contract is sold and the Near Front Month Contract is bought. The roll return will be negative if the Near Front Month Contract has a higher price than the Current Front Month Contract, which means the number of the Near Front Month Contracts bought will be lower than the amount of Current Front Month Contracts sold. Conversely, the roll return will be positive

if the Near Front Month Contract has a lower price than the Current Front Month Contract, and the number of the Near Front Month Contract bought will be higher than the amount of Current Front Month Contracts sold.

#### *Volatility Control*

For the purposes of a Proprietary Index, “volatility” is a measure of how much an investment has deviated from its average over a defined time. A Proprietary Index may have an automatic feature that aims to protect against some of the inherent volatility exhibited by its underlying components.

A Proprietary Index's exposure to its underlying components will change depending on the volatility of those underlying components. A Proprietary Index's exposure to its underlying component(s) will proportionally reduce as that Proprietary Index's volatility increases above certain percentage thresholds. When volatility decreases below certain percentage thresholds, the Proprietary Index's exposure to its underlying components will proportionally increase. In periods of higher market volatility this feature may cushion the effect of market falls but constrain the benefit of market rises. This feature may not be successful and this may have an impact on the performance of a Proprietary Index with a volatility control feature.

#### *Trend Risk*

A Proprietary Index may use a mechanism by which it compares the performance of a component against its Moving Average in an effort to determine each Underlying's trend. “**Moving Average**” means the simple average of the performance of a component over a defined time period. When a component's performance is above its Moving Average for a certain number of consecutive measurement dates, that component is said to be in a positive trend. When the performance is equal to or below its Moving Average for a certain number of consecutive measurement dates, the component is said to be in a negative trend. If the trend is determined to be positive for a component, the Proprietary Index may allocate exposure to the component. If a trend is determined to be negative for component, the Proprietary Index may reduce exposure to such component to zero. If the Proprietary Index has no exposure to a negative trending component for any given period, then the Proprietary Index will not benefit from any appreciation of such component during that given period. Further, if the Proprietary Index has exposure to a positively trending component during a given period, investors will be exposed to any downside movements of that component during the period.

A Proprietary Index using this mechanism is based on the assumption that the past moving average of its components compared to their current performance is a good indicator of the future direction of those components. There is no assurance that this assumption is correct, nor is there any assurance that the strategy taken by the Index will generate positive returns.

*Specific risks relating to RBS Symbiosis Index (USD) ER, RBS Symbiosis II Index (USD) ER and RBS VC Symbiosis III Index (SEK) ER 11.5%*

The above Proprietary Indices make notional long or short investments in certain assets by reference to a

technical indicator (an “**Indicator**”) for each asset. Each month, directional risk is dependent on the exposure to each asset is set by its Indicator. If the Indicator of an asset is positive at the start of a certain month due to the historical performance of that asset, (i.e. the relevant Indicator deems the asset is in a positive trend), the exposure of the Proprietary Index to that asset is long for that month. If the asset depreciates in value during that month, the Proprietary Index will also depreciate in value. If the Indicator of an asset is negative at the start of a certain month due to the historical performance of that asset (i.e. the Indicator deems the asset is in a negative trend), the exposure of the Index to that asset is short for that month. If the asset appreciates in value during that month, the Index will depreciate in value, which may have a negative impact on the value of the Proprietary Index and any Securities linked to it. There can be no guarantee the use of an Indicator will yield positive returns for the Proprietary Index or any Securities linked to it.

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## **RESPONSIBILITY STATEMENT**

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The Issuer accepts responsibility for the information contained in this Base Prospectus, as completed and/or amended by the Final Terms. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

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## DOCUMENTS INCORPORATED BY REFERENCE

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The following documents which have previously been published and have been filed with the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*) in its capacity as competent authority under the Act on Financial Supervision (*Wet op het financieel toezicht (Wft) 2007*) (the “**Competent Authority**”) shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

1. The registration document dated 24 February 2012 relating to the Issuer (the “**Registration Document**”) which was published via the Regulatory News Service of the London Stock Exchange plc (“**RNS**”) on 24 February 2012, excluding:
  - (a) the paragraphs under the heading “No Significant Change and No Material Adverse Change” on page 64 (which information is restated in updated form on page 77 of this Base Prospectus); and
  - (b) the following information within the sub-section entitled “Introduction”:
    - (i) the final sentence of the fourth paragraph of such section, which begins with the words “Moody’s Investors Service Limited”;
    - (ii) the seventh paragraph of such section, which begins with the words “As defined by Moody’s”; and
    - (iii) limb (ii) of the eighth paragraph of such section, which begins with the words “The ratings definitions set out above”.
2. The following sections of the 2010 Annual Report and Accounts of the Issuer, which were published via RNS on 17 March 2011 (the “**2010 Annual Report and Accounts**”):
  - (i) Independent auditor’s report on page 267;
  - (ii) Consolidated income statement on page 268;
  - (iii) Consolidated statement of comprehensive income on page 269;
  - (iv) Balance sheets as at 31 December 2010 on page 270;
  - (v) Statements of changes in equity on pages 271 to 273;
  - (vi) Cash flow statements on page 274;
  - (vii) Accounting policies on pages 275 to 286;
  - (viii) Notes on the accounts on pages 287 to 385;

- (ix) Essential reading – We have met, and in some cases exceeded, the targets for the second year of our Strategic Plan on page 1;
- (x) Chairman’s statement on pages 2 to 3;
- (xi) Group Chief Executive’s review on pages 4 to 5;
- (xii) Our key targets on page 7;
- (xiii) Our business and our strategy on pages 10 to 19;
- (xiv) Divisional review on pages 21 to 41;
- (xv) Business review on pages 50 to 224 (excluding the financial information on page 51, pages 56 to 77, pages 106 to 118 and page 131 which is indicated as being “pro forma”);
- (xvi) Report of the Directors on pages 230 to 234;
- (xvii) Corporate governance on pages 235 to 245;
- (xviii) Letter from the Chair of the Remuneration Committee on pages 246 to 247;
- (xix) Directors’ remuneration report on pages 248 to 263;
- (xx) Directors’ interests in shares on page 264;
- (xxi) Financial Summary on pages 387 to 395;
- (xxii) Exchange rates on page 395;
- (xxiii) Economic and monetary environment on page 396;
- (xxiv) Supervision on page 397;
- (xxv) Regulatory developments and reviews on pages 398 to 399;
- (xxvi) Description of property and equipment on page 399;
- (xxvii) Major shareholders on page 399;
- (xxviii) Material contracts on pages 399 to 404; and
- (xxix) Glossary of terms on pages 434 to 439.

3. The following sections of the 2011 Annual Report and Accounts of the Issuer, which were published via RNS on 9 March 2012 (the “**2011 Annual Report and Accounts**”):

- (i) Independent auditor’s report on page 306;
- (ii) Consolidated income statement on page 307;

- (iii) Consolidated statement of comprehensive income on page 308;
- (iv) Consolidated balance sheet as at 31 December 2011 on page 309;
- (v) Consolidated statement of changes in equity on pages 310 to 312;
- (vi) Consolidated cash flow statement on page 313;
- (vii) Accounting policies on pages 314 to 326;
- (viii) Notes on the consolidated accounts on pages 327 to 419;
- (ix) Parent company financial statements and notes on pages 420 to 431;
- (x) Essential reading – Highlights on page 1;
- (xi) Chairman’s statement on page 9;
- (xii) Group Chief Executive’s review on pages 10 to 11;
- (xiii) Our key targets on page 13;
- (xiv) Our business and our strategy on pages 14 to 18;
- (xv) Divisional review on pages 19 to 29;
- (xvi) Business review on pages 32 to 249;
- (xvii) Corporate governance on pages 258 to 262;
- (xviii) Letter from the Chair of the Group Remuneration Committee on pages 272 to 273;
- (xix) Directors’ remuneration report on pages 274 to 295;
- (xx) Report of the Directors on pages 298 to 302;
- (xxi) Directors’ interests in shares on page 303;
- (xxii) Financial Summary on pages 433 to 441;
- (xxiii) Exchange rates on page 441;
- (xxiv) Economic and monetary environment on page 442;
- (xxv) Supervision on page 443;
- (xxvi) Regulatory developments and reviews on page 444;
- (xxvii) Description of property and equipment on page 445;
- (xxviii) Major shareholders on page 445;
- (xxix) Material contracts on pages 445 to 450; and

(xxx) Glossary of terms on pages 476 to 483.

4. The unaudited Interim Management Statement Q1 2012 of RBSG which was published via RNS on 4 May 2012.
5. The press release entitled “Divisional Reorganisation and Group Reporting Changes (effective 1 January 2012)” which was published via RNS on 1 May 2012.

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

In relation to those documents of which only part thereof is incorporated by reference in this Base Prospectus, those parts of such documents which are not incorporated either are not relevant for the investor or are covered elsewhere in this Base Prospectus.

Copies of the above documents can be obtained from the principal office of the Issuer at RBS Gogarburn, PO Box 1000, Edinburgh EH12 1HQ, Scotland and on <http://markets.rbs.com/bparchive> or <http://markets.rbs.com/launchpad>, or by emailing [investor.relations@rbs.com](mailto:investor.relations@rbs.com).

The Issuer will in the event of any significant new factor, material mistake or inaccuracy relating to the information included in this Base Prospectus which is capable of affecting the assessment of any Securities, prepare a supplement to this Base Prospectus for use in connection with any subsequent issue of Securities.

This Base Prospectus and any supplement will be valid for listing Securities on Euronext Amsterdam by NYSE Euronext and/or any other exchange in an unlimited aggregate nominal amount.

#### *Material Changes*

Material changes of the Issuer's financial position since the date of this Base Prospectus will trigger the need for a supplement to this Base Prospectus under Article 16 of Directive 2003/71/EC. Any supplements to this Base Prospectus are accessible at <http://markets.rbs.com/bparchive> or <http://markets.rbs.com/launchpad> and can be obtained, on request, free of charge, by writing or telephoning, The Royal Bank of Scotland Group Investor Relations, 280 Bishopsgate, London EC2M 4RB, United Kingdom, telephone +44 207 672 1758, email [investor.relations@rbs.com](mailto:investor.relations@rbs.com) or at the principal office of the Issuer at RBS Gogarburn, PO Box 1000, Edinburgh EH12 1HQ, Scotland.

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## TAXATION

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*Potential purchasers who are in any doubt about their tax position on purchase, ownership, transfer, exercise or non-exercise of any Security should consult their professional tax advisers.*

### 1. GENERAL

Purchasers of Securities may be required to pay stamp taxes and/or other charges in accordance with the laws and practices of the country of purchase in addition to the issue or purchase price of each Security.

The Issuer shall not be liable for or otherwise obliged to pay any tax, duty or other payment which may arise as a result of the ownership, transfer or exercise of any Securities.

Prospective purchasers should be aware that tax treatment depends on the individual circumstances of each purchaser and may be subject to change in the future.

### 2. EU SAVINGS DIRECTIVE

Under EC Council Directive 2003/48/EC on the taxation of savings income (the “**Directive**”), EU member states, subject to the following exceptions, are required to provide to the tax authorities of another EU member state details of payments of interest (or similar income) paid by a person within its jurisdiction to (or for the benefit of) an individual resident in that other EU member state or to certain limited types of entities established in that other EU member state. However, for a transitional period Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

### 3. UNITED KINGDOM

**The following applies only to persons who are the beneficial owners of Securities and is a summary of the Issuer's understanding of current United Kingdom tax law and United Kingdom HM Revenue & Customs (“HMRC”) practice relating only to certain aspects of United Kingdom taxation. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Securities and should not be relied upon by**

**Holders or prospective Holders of Securities. Some aspects do not apply to certain classes of person (such as persons carrying on a trade or dealing in Securities and persons connected with the Issuer) to whom special rules may apply. The United Kingdom tax treatment of prospective Holders of Securities depends on their individual circumstances and may be subject to change in the future. The precise tax treatment of a Holder of Securities will depend for each issue on the terms of the Securities, as specified in the Conditions of the Securities as amended and supplemented by the applicable Final Terms. For United Kingdom tax purposes, the term “Security” or “Securities” refers to instruments of the type described in this Base Prospectus and is not intended to be determinative (or indicative) of the nature of the instrument for the purposes of United Kingdom taxation. Prospective Holders of Securities who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.**

#### **Withholding on account of United Kingdom tax**

Payments made in respect of the Securities may be made without deduction or withholding for or on account of United Kingdom income tax where such payments are not regarded as interest, manufactured payments or annual payments for United Kingdom tax purposes.

Even if such payments were to be regarded as interest, manufactured payments or annual payments for United Kingdom tax purposes, the Issuer should not be required to withhold or deduct sums for or on account of United Kingdom income tax from payments made in respect of the Securities provided that the Securities are derivative contracts, the profits and losses arising from which are calculated in accordance with the provisions of Part 7 of the Corporation Tax Act 2009 (which broadly they should be provided that they are options, futures or contracts for differences for the purposes of Part 7 of that Act, are derivatives for the purposes of FRS25 (or International Accounting Standard 32) and are not excluded for the purposes of Part 7 of that Act by virtue of their underlying subject matter).

#### **Interest on the Securities**

Payments of interest on or in respect of the Securities may also be made without deduction or withholding for or on account of United Kingdom income tax provided that the Securities are and continue to be listed on a “recognised stock exchange” within the meaning of section 1005 of the Act. Provided, therefore, that the Securities are and remain so listed, interest on the Securities will be payable without withholding or deduction for or on account of United Kingdom income tax.

Interest on or in respect of the Securities may also be paid without withholding or deduction for or on account of United Kingdom income tax where interest on or in respect of the Securities is paid by the Issuer and, at the time the payment is made, the Issuer reasonably believes (and any person by or

through whom interest on or in respect of the Securities is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest; provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

Interest on or in respect of the Securities may also be paid without withholding or deduction for or on account of United Kingdom income tax where the maturity of the Securities is less than 365 days and those Securities do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days. HMRC has issued a consultation document which, amongst other things, invites views on the proposal that deduction on account of United Kingdom income tax at the basic rate be required from payments of interest arising in the United Kingdom irrespective of whether such payments are payments of yearly interest. It is uncertain at this stage whether, when, and in what form, such proposal will be implemented.

In other cases, an amount must generally be withheld from payments of interest on or in respect of the Securities on account of United Kingdom income tax at the basic rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Holder of Securities, HMRC can issue a notice to the Issuer to pay interest to the Holder of Securities without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty, as applicable).

Holders of Securities may wish to note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner) from any person in the United Kingdom who either pays or credits interest (or amounts treated as interest) to or receives interest (or amounts treated as interest) for the benefit of a Holder of Securities. HMRC also has power, in certain circumstances, to obtain information from any person in the United Kingdom who pays amounts payable on the redemption of Securities which are deeply discounted securities for the purposes of the Income Tax (Trading and Other Income) Act 2005 to or receives such amounts for the benefit of another person, although HMRC published practice indicates that HMRC will not exercise the power referred to above to require this information in respect of amounts payable on the redemption of deeply discounted securities where such amounts are paid on or before 5 April 2013. Such information may include the name and address of the beneficial owner of the amount payable on redemption. Any information obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Holder of Securities is resident for tax purposes.

### **Stamp Duty and Stamp Duty Reserve Tax ("SDRT")**

For the purposes of the following paragraphs, it has been assumed that the Securities constitute loan capital for the purposes of section 78 Finance Act 1986 ("FA 1986") and stock and/or loan capital

for the purposes of section 99(3) FA 1986 (“**Loan Capital**”). A Security should be Loan Capital if the Holder has a right in all circumstances to be paid on redemption an amount equal to substantially all of the amount subscribed for the Security, either with or without any additional amount that may be payable on redemption. In addition, it is likely that HMRC would regard a Security as Loan Capital even if there is no guarantee that the holder will receive on redemption an amount equal to all or substantially all of the amount subscribed for the Security. This will, however, depend on the terms and conditions relating to the Security.

Securities which are capable of being cash settled only are referred to as “**Cash Settled Securities**” and Securities which are capable of being settled by way of physical delivery are referred to as “**Physically Settled Securities**”.

For the purposes of the following paragraphs, “**Exempt Loan Capital**” means any security which constitutes Loan Capital and: (a) does not carry rights to acquire shares or securities (by way of exchange, conversion or otherwise); (b) has not carried and does not carry a right to interest the amount of which exceeds a reasonable commercial return on the nominal amount of the relevant security; (c) subject to certain exceptions has not carried and does not carry a right to interest the amount of which falls or has fallen to be determined to any extent by reference to the results of, or any part of, a business or to the value of any property; and (d) has not carried and does not carry a right to a premium which is not reasonably comparable with amounts payable on securities listed on the London Stock Exchange.

### **Stamp Duty**

#### *Stamp duty on the issue of Securities*

No stamp duty will generally be payable in relation to the issue of Securities, including where such Securities are issued into CREST.

#### *Stamp duty on the transfer of Securities*

No United Kingdom stamp duty should be required to be paid on transfers of Securities on sale provided no instrument of transfer is used to complete such sales.

An instrument transferring Securities on sale may be subject to stamp duty at a rate of 0.5 per cent. (or 1.5 per cent. in the case of a transfer to a Clearance Service (as defined below) or to a person issuing depositary receipts) of the consideration paid for the Securities if the Securities are not Exempt Loan Capital.

#### *Stamp duty on the redemption of Securities*

No United Kingdom stamp duty should be payable in relation to the redemption of a Security which is cash settled. United Kingdom stamp duty may be required to be paid in relation to the transfer of assets on the redemption of a Security which is settled by way of physical delivery.

## **SDRT**

### *SDRT on the issue of Securities to a Clearance Service*

No SDRT should be payable in relation to the issue to any person providing a clearance service, or a nominee for any such person, within the meaning of section 96 FA 1986 (a “**Clearance Service**”) of a Security provided that it is Exempt Loan Capital.

Subject to the comments in the paragraph below regarding a decision of the European Court of Justice (the “**ECJ**”) and a decision of the First-tier Tax Tribunal, except where an election has been made under which the alternative system of charge as provided for in section 97A FA 1986 (a “**s97A Election**”) applies, SDRT should generally be payable in relation to the issue to a Clearance Service of a Security which is not Exempt Loan Capital, unless that Security is in bearer form and either: (i) it is denominated in sterling; or (ii) it is not denominated in sterling (and if it is a loan that is repayable in sterling this is solely at the option of the holder) and either raises new capital or is issued in exchange for an instrument raising new capital, in each case for the purposes of section 97(3)(b) FA 1986. Any such SDRT would be payable at a rate of 1.5 per cent. of the issue price.

Following the ECJ decision in C-569/07 HSBC Holdings plc and Vidacos Nominees Ltd v The Commissioners of Her Majesty’s Revenue & Customs (Case C-569/07) and the First-tier Tax Tribunal decision in HSBC Holdings Plc and the Bank of New York Mellon Corporation v The Commissioners of Her Majesty’s Revenue & Customs (the “**HSBC Decisions**”), HMRC has indicated that the overall effect of the HSBC decisions is that the 1.5 per cent. SDRT charge is no longer applicable to issues of UK shares and securities to clearance services or depositary receipt issuers anywhere in the world. It is however possible that HMRC might amend the UK stamp duty and or/SDRT regime in such a way as to alter the position outlined above.

### *SDRT on the issue of Securities into CREST*

No SDRT will be payable in respect of the issue of Securities into CREST, provided they are not issued into the CREST account of a Clearance Service or to a person issuing depositary receipts (or an agent or nominee for such a person).

### *SDRT on the transfer of Securities held within a Clearance Service where no s97A Election has been made*

SDRT should generally not be payable in relation to an agreement to transfer a Security held within a Clearance Service provided that no s97A Election applies in respect of the Security.

### *SDRT on the transfer of Securities held outside a Clearance Service, held within CREST or held within a Clearance Service where a s97A Election has been made*

In the case of Securities held outside a Clearance Service, Securities held within CREST or Securities held within a Clearance Service where a s97A Election has been made, no SDRT should

be payable in relation to the transfer of a Security within CREST or any agreement to transfer a Security, in each case, provided that it is Exempt Loan Capital.

In the case of Securities held outside a Clearance Service, Securities held within CREST or Securities held within a Clearance Service where a s97A Election has been made, SDRT should generally be payable in relation to the transfer of a Loan Security within CREST or any agreement to transfer a Security, in each case, which is not Exempt Loan Capital, unless that Security is in bearer form and: (i) it constitutes Loan Capital, it is listed on a recognised stock exchange and it carries no right to obtain securities which are not so listed (for example by way of conversion or exchange); (ii) it was not exempt from stamp duty on issue because it does not constitute Loan Capital and it is denominated in sterling; or (iii) it was exempt from stamp duty on issue solely because it is denominated in a currency other than sterling and it is listed on a recognised stock exchange. Any such SDRT would be payable at a rate of 0.5 per cent. of the consideration given under an agreement to transfer such Securities, unless the transfer is to a Clearance Service or to a person issuing depositary receipts (or to an agent or nominee of such a person) where SDRT may be payable at a rate of 1.5 per cent.

*SDRT on the redemption of Securities*

SDRT may be required to be paid in respect of the agreement to transfer an asset pursuant to a Physically Settled Security. However, any such liability to SDRT will be cancelled (or if already paid, will be repayable) if an instrument effecting the transfer is executed, which is duly stamped or is not chargeable with stamp duty or otherwise required to be stamped, within six years of the agreement being made or, in the case of a conditional agreement, within six years of all conditions being satisfied.

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## SUBSCRIPTION AND SALE

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The Dealers will, in a programme agreement (the “**Programme Agreement**”) to be entered into with the Issuer agree a basis upon which they or any of them may from time to time agree to purchase Securities. In the Programme Agreement, the Issuer will agree to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Securities under the Programme.

*The statements which follow are of a general nature. Potential purchasers in each jurisdiction must ensure that they are able validly to take delivery of the Securities and any assets into which they may convert or be settled. Additional certifications may be required by the Issuer and/or any clearance system at the time of exercise and/or settlement.*

### 1. GENERAL

Each Dealer agrees to comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers the Securities or possesses or distributes this Prospectus, any other offering material or any Final Terms and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the Securities under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any other Dealer shall have responsibility therefor.

Neither the Issuer nor any of the Dealers represents that Securities may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each tranche, there may exist other additional or modified restrictions as the Issuer and the relevant Dealer(s) shall agree as a term of issuance and purchase.

### 2. PUBLIC OFFER SELLING RESTRICTION UNDER THE PROSPECTUS DIRECTIVE

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Securities which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Securities to the public in that Relevant Member State:

- (a) if the final terms in relation to the Securities specify that an offer of those Securities may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a “**Non-exempt Offer**”), following the date of publication of a prospectus in relation to such Securities which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Securities referred to in (b) to (d) above shall require the Issuer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of Securities to the public**” in relation to any Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe the Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

### 3. THE NETHERLANDS

Securities which qualify as savings certificates as defined in the Savings Certificates Act (“*Wet inzake spaarbewijzen*”) may only be transferred or accepted through the mediation of either the Issuer or an admitted institution of Euronext Amsterdam N.V. with due observance of the Savings Certificates Act and its implementing regulations (including registration requirements), provided that no mediation is required in respect of:

- (a) the initial issue of those Securities to the first holders thereof;
- (b) any transfer and delivery by individuals who do not act in the conduct of a profession or trade; and
- (c) the issue and trading of those Securities, if they are physically issued outside The Netherlands and are not distributed in The Netherlands in the course of primary trading or immediately thereafter.

The Securities may not be offered to the public in the Netherlands in reliance on Article 3(2) of the Prospectus Directive unless (i) such offer is made exclusively to persons or entities which are qualified investors as defined in the Dutch Financial Supervision Act or (ii) standard exemption wording is disclosed as required by Article 5:20(5) of the Dutch Financial Supervision Act, provided that no such offer of Securities shall require publication of a prospectus pursuant to Article 3 of the Prospectus Directive or supplement to a prospectus pursuant to Article 16 of the Prospectus Directive.

#### 4. UNITED STATES OF AMERICA

No Securities of any Series have been, or will be, registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), and trading in the Securities has not been approved by the United States Commodity Futures Trading Commission (the “**CFTC**”) under the United States Commodity Exchange Act as amended (the “**CEA**”). No Securities of any Series, or interests therein, may at any time be offered, sold, resold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person.

Offers, sales, resales or deliveries of Securities of any Series, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of U.S. persons would constitute a violation of United States securities laws unless made in compliance with the registration requirements of the Securities Act or pursuant to an exemption therefrom. In addition, in the absence of relief from the CFTC, offers, sales, resales, trades or deliveries of Securities, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, may constitute a violation of United States law governing commodities trading.

Securities having a maturity of more than one year will be issued in compliance with U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D) (the “**D Rules**”) and, in accordance with the D Rules, may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Securities in dematerialised form having a maturity of more than one year will be issued in compliance with U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(C) (the “**C Rules**”) and, in accordance with the C Rules, may not be offered, sold or delivered within the United States or its possessions, except in certain transactions permitted

by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 (the "Code") and the U.S. Treasury regulations thereunder.

The Issuer will require each Dealer participating in the distribution of Securities subject to the D Rules:

- (a) except to the extent permitted under the D Rules, (i) to represent that it has not offered or sold, and agrees that during the restricted period it will not offer or sell, such Securities to a person who is within the United States or its possessions or to a United States person, and (ii) to represent that it has not delivered and agrees that it will not deliver within the United States or its possessions definitive Securities that are sold during the restricted period;
- (b) to represent that it has and agrees that throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Securities subject to the D Rules are aware that such Securities may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
- (c) if it is a United States person, each Dealer represents that it is acquiring Securities for purposes of resale in connection with their original issuance and if it retains Securities for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D)(6);
- (d) with respect to each affiliate that acquires Securities from a Dealer for the purpose of offering or selling such Securities during the restricted period, to repeat and confirm the representations and agreements contained in subclauses (a), (b) and (c) of this paragraph on such affiliate's behalf; and
- (e) to agree that it will obtain from any distributor (within the meaning of U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D)(4)(ii)) that purchases any Securities subject to the D Rules from it pursuant to a written contract with such Dealer (except a distributor that is one of its affiliates or is another Dealer), for the benefit of the Issuer and each other Dealer, the representations contained in, and such distributor's agreement to comply with, the provisions of subclauses (a), (b), (c) and (d) of this paragraph insofar as they relate to the D Rules, as if such distributor were a Dealer hereunder.

The terms used in the preceding sentence have the meanings given to them by the Code and the U.S. Treasury regulations thereunder, including the D Rules.

The Issuer will require each Dealer participating in the distribution of Securities subject to the C Rules to agree that it will not at any time offer, sell, resell or deliver, directly or indirectly, the Securities in the United States or to others for offer, sale, resale or delivery, directly or indirectly, in the United States. Further, the Issuer and each Dealer to which it sells the Securities will represent

and agree that in connection with the original issuance of such Securities that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such purchaser is within the United States and will not otherwise involve its U.S. office in the offer or sale of such Securities. The terms used in the preceding sentence (and not otherwise defined below) have the meanings given to them by the Code and the U.S. Treasury regulations thereunder, including the C Rules.

As used herein, “**United States**” means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction; and “**U.S. person**” means (i) an individual who is a citizen or resident of the United States; (ii) a corporation, a partnership or other entity organised in or under the laws of the United States or any political subdivision thereof or which has its principal place of business in the United States; (iii) any estate or trust which is subject to United States federal income taxation regardless of the source of its income; (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and if one or more United States trustees have the authority to control all substantial decisions of the trust; (v) a pension plan for the employees, officers or principals of a corporation, partnership or other entity described in (ii) above; (vi) any entity organised principally for passive investment, 10 per cent. or more of the beneficial interests in which are held by persons described in (i) to (v) above if such entity was formed principally for the purpose of investment by such persons in a commodity pool the operator of which is exempt from certain requirements of Part 4 of the CFTC’s regulations by virtue of its participants being non-U.S. persons; or (vii) any other “U.S. Person” as such term may be defined in Regulation S under the Securities Act or in regulations adopted under the CEA.

**Notice to purchasers and holders of restricted securities and transfer restrictions**

Each purchaser of Securities will, by its purchase of such Securities, be deemed to acknowledge, represent and agree as follows:

- (a) that trading in the Securities has not been and will not be approved by the CFTC under the CEA;
- (b) that it will not at any time offer, sell, resell or deliver, directly or indirectly, any Securities of such Series so purchased in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person;
- (c) that it is not a U.S. person, and it is not purchasing any Securities of such Series for the account or benefit of any U.S. person;

- (d) that it will not make offers, sales, resales or deliveries of any Securities of such Series (otherwise acquired), directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person;
- (e) that it will send each person who purchases any Securities of such issue from it a written confirmation (which shall include the definitions of “**United States**” and “**U.S. person**” set forth herein) stating that the Securities have not been registered under the Securities Act, that trading in the Securities has not been approved by the CFTC under the CEA and stating that such purchaser agrees that it is not a U.S. person and will not at any time offer, sell, resell or deliver any of such Securities, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person;
- (f) that no U.S. person or person in the United States may at any time trade or maintain a position in the instruments and that a person entitled to receive an interim payment or exercising (or entitled to receive any amount at maturity or exercise under) the instrument will be required to certify that neither it nor the beneficial owner of the instrument is a U.S. person or is located in the United States;
- (g) that any person exercising a Security will be required to represent that it is not a U.S. person; and
- (h) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Securities prior to 40 days after the closing of the offer of the relevant Securities, it will do so only (a) outside the United States in compliance with Rule 903 or 904 under the Securities Act and (b) in accordance with all applicable United States state securities laws; and it acknowledges that the Global Securities will bear a legend to the following effect unless otherwise agreed to by the Issuer:

**THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) AND THE SECURITIES MAY NOT BE EXERCISED, OFFERED, SOLD, TRANSFERRED OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT. FURTHERMORE, TRADING IN THE SECURITIES HAS NOT BEEN APPROVED BY THE UNITED STATES COMMODITY FUTURES TRADING COMMISSION UNDER THE UNITED STATES COMMODITY EXCHANGE ACT, AS AMENDED AND NO U.S. PERSON MAY AT ANY TIME TRADE OR MAINTAIN A POSITION IN THE SECURITIES.**

5. UNITED KINGDOM

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Securities which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Securities other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Securities would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of any Securities in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Securities in, from or otherwise involving the United Kingdom.

6. INDIA

Any purchase of the Securities relating to or linked to securities listed on a stock exchange in India or indices that reference such securities should be made on the understanding that the purchaser shall be deemed to acknowledge, represent, warrant and undertake to the Group and each Dealer that:

(a) it consents to the provision by the Group to any Indian governmental or regulatory authority upon receiving a request from such authority of any information regarding it and its dealings in the Securities as required under applicable Indian regulations and/or as requested by any Indian governmental or regulatory authority;

(b) it agrees to promptly provide to the Group, or directly to the relevant Indian governmental or regulatory authority (and confirm to the Issuer when it has done so), such additional information that the Group deems necessary or appropriate in order for the Group to comply with any such regulations and/or requests;

(c) the Securities are not being purchased by, for the account of, or pursuant to or in connection with any back-to-back transaction with: (i) a Person Resident in India as the term is used in

the Foreign Exchange Management Act, 1999; or (ii) a “Non-Resident Indian”, as such terms are used in the Foreign Exchange Management (Deposit) Regulations 2000 as notified by the Reserve Bank of India (each, a “**Restricted Entity**”) or a nominee of a Restricted Entity;

- (d) the Securities shall not be offered, sold or transferred to any person/entity whose controller is a Restricted Entity where “controller” means any person or group of persons who (i) is/are entitled to exercise, or control the exercise of a majority or more of the voting power of the purchaser; (ii) holds or is otherwise entitled to a majority or more of the economic interest in the purchaser, or (iii) in fact exercises control over the purchaser. “Control” means the ability to appoint a majority or more of the directors of an entity, or the capacity to control decision-making, directly or indirectly, in relation to the financial, investment and/or operating policies of an entity in any manner.

Notwithstanding the foregoing definition, in the case only where an entity’s investments are being managed on a discretionary basis by an investment manager, such investment manager shall not be deemed to be such entity’s controller for the purposes of this representation by reason only of it being able to control decision-making in relation to the entity’s financial, investment and /or operating policies;

- (e) the Securities are not being purchased by, for the account of, or pursuant to or in connection with any back-to-back transaction with any entity or person that is not a “person regulated by an appropriate foreign regulatory authority” (as such term and/or requirements relating thereto are defined or otherwise interpreted for the purposes of Regulation 15A of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995) (a “**Regulated Entity**”);
- (f) the Securities are not being purchased with the intent of circumventing or otherwise avoiding any requirements applicable under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995 (including, without limitation, any restrictions applying to foreign institutional investors in relation to their issuances and/or other dealings in the Securities with, Restricted Entities and persons/entities who are not Regulated Entities);
- (g) it has purchased the Securities on its own account and not as an agent, nominee, trustee or representative of any other person and no agreement for the issuance of a back-to-back offshore derivatives instrument shall be entered against the Securities;
- (h) it will not, directly or indirectly, sell, transfer, assign, novate or otherwise dispose of the Securities to or for the account of any Restricted Entity, nominee of any Restricted Entity or an entity which is not a Regulated Entity;

- (i) it acknowledges that non-compliance with, or breach, violation or contravention of, the obligations under these representations, warranties, agreements and undertakings that (including, without limitation, any restrictions with respect to a transfer) (“**Obligations**”) may result in non-compliance with, or breach, violation or contravention of, applicable laws, regulations, governmental orders or directions, regulatory sanctions against the Issuer and/or its associates/affiliates and cause irreparable harm to the Issuer and/or its associates/affiliates. Accordingly, it further acknowledges that, in the event of any non-compliance with, or breach, violation or contravention of the Obligations by it, the Issuer and/or its associates/affiliates may notify the relevant Indian governmental or regulatory authority of the breach, violation or contravention and exercise any rights and take any measures available to the Issuer and/or its associates/affiliates under the terms of the Securities, or any other measures to prevent, avoid, mitigate, remedy or cure such non-compliance, breach, violation or contravention, including but not limited to termination or compulsory redemption of the Securities by the Issuer and/or its associates/affiliates;
- (j) it will promptly notify the Issuer should any of the representations, warranties, agreements and undertakings given by it change or no longer hold true; and
- (k) any sale, transfer, assignment, novation or other disposal of the Securities by it, whether direct or indirect, will be subject to the acquiring entity giving substantially the same representations and warranties to it as set out in sub-paragraphs (c) to (i) (inclusive).

The Securities shall not be offered, sold or transferred to (i) a Protected Cell Company (“**PCC**”) or Segregated Portfolio Company (“**SPC**”) or an equivalent structure however described, or (ii) a Multi Class Share Vehicle (“**MCV**”) by constitution or an equivalent structure however described that contains more than one class of shares, except where (a) a common portfolio is maintained for all classes of shares and satisfies broad-based criteria, or (b) a segregated portfolio is maintained for separate classes of shares wherein each such class of shares are in turn broad-based. For this purpose, a "broad-based" fund or class of shares (where the holder's segregated portfolio is maintained for separate classes of shares) as the term is defined in the Explanation to Regulation 6 of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995 means a fund, established or incorporated outside India, which has at least twenty investors, with no single individual investor holding more than 49% of the shares or units of the fund; provided that if the broad-based fund has institutional investor(s) it shall not be necessary for the fund to have twenty investors. Further, if the broad-based fund has an institutional investor who holds more than 49% of the shares or units in the fund, then the institutional investor must itself be a broad-based fund.

## 7. HONG KONG

Securities that are not "structured products" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong may not be offered or sold in Hong Kong, by means of any document, other than (i) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance.

In relation to Securities that are "structured products" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and unless permitted to do so under the laws of Hong Kong, no person may issue or have in his/her possession for the purpose of issue, or will issue, or have in his/her possession for the purposes of issue, any advertisement, invitation or document relating to the Securities whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong, other than with respect to the Securities intended to be disposed of only to persons outside Hong Kong, or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

## 8. SINGAPORE

This Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") and accordingly, the Securities may not be offered or sold, nor may the Securities be the subject of an invitation for subscription or purchase, nor may this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Securities be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275 (2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Securities are acquired by persons who are relevant persons specified in Section 276 of the SFA namely:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Securities pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor (under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or which arises from an offer referred to in Section 275(1A) of the SFA (in the case of that corporation) or Section 276(4)(b)(i)(B) of the SFA (in the case of that trust);
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law; or
- (4) as specified in Section 276(7) of the SFA

#### 9. TAIWAN

The Securities may not be sold, offered or issued to Taiwan resident investors unless they are made available outside Taiwan for purchase by such investors outside Taiwan.

#### 10. SAUDI ARABIA

Any purchase of the Securities relating to or linked to securities, whether or not listed on a stock exchange, in Saudi Arabia or indices that reference such securities should be made on the understanding that the purchaser shall be deemed to acknowledge, represent, warrant and undertake to the Issuer and each Dealer that:

- (a) it consents to the provision by the Issuer or any Dealer to any Saudi Arabian governmental or regulatory authority, (such as the KSA Capital Markets Authority) of any information regarding it and its dealings in the Securities as required under applicable Saudi Arabian regulations and/or as requested by any Saudi Arabian governmental or regulatory authority;
- (b) it agrees to promptly provide to the Issuer and each Dealer, or directly to the relevant governmental or regulatory authority (and confirm to the Issuer and each Dealer when it has done so), such additional information that the Issuer and each Dealer deems necessary or appropriate in order for the Issuer and each Dealer to comply with any such regulations and/or requests;
- (c) the Securities are not being purchased for the account of or pursuant to or in connection with a "Non-resident foreign investor" for the purposes of any CMA or other governmental or

regulatory authority resolution and it is not knowingly entering into a transaction for the purchase of Securities, on behalf of, or for the benefit or account of any person or entity that is not a non-resident foreign investor for the purposes of such resolution.

Prospective investors must seek legal advice as to whether they are entitled to subscribe to the Securities and must comply with all relevant Saudi Arabian laws in this respect. Each investor is deemed to have acknowledged and agreed that it is eligible to invest in the Securities under applicable laws and regulations and that it is not prohibited under any law or regulation in Saudi Arabia from acquiring, owning or selling the Securities.

#### 11. THE PEOPLE'S REPUBLIC OF CHINA

Each Dealer and each distributor of an issue will represent and agree that neither it nor any of its affiliates has offered or sold or will offer or sell any of the Securities in the People's Republic of China (excluding the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan) ("**PRC**") as part of the initial distribution of the Securities.

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC to any person to whom it is unlawful to make the offer or solicitation in the PRC. The Securities may only be offered or sold to PRC investors that are authorised to buy and sell securities in the offshore market that are denominated in a foreign currency. Potential investors resident in the PRC are responsible for obtaining all relevant approvals from the PRC government authorities, including but not limited to the State Administration of Foreign Exchange, and compliance with all applicable laws and regulations, including but not limited to those of the PRC, before purchasing the Securities.

The Issuer does not represent that this Base Prospectus may be lawfully distributed, or that any Securities may be lawfully offered, in compliance with any applicable registration or other requirements in the PRC, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer which would permit a public offering of any Securities or distribution of this document in the PRC. Accordingly, the Securities are not being offered or sold within the PRC by means of this Base Prospectus or any other document. Neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations.

12. FINLAND

Each Dealer and/or distributor confirms and agrees that it will not, directly or indirectly, offer for subscription or purchase or offer invitations to subscribe for or buy or sell the Securities or distribute any draft or definitive document in relation to any such offer, invitation or sale in Finland except in compliance with the laws of Finland and in such manner that no obligation for the Issuer to prepare any prospectus in respect of the issuance of the Securities pursuant to Finnish law and regulation will arise.

13. THE BRITISH VIRGIN ISLANDS

The Securities are not offered within the British Virgin Islands, but may be acquired by British Virgin Islands persons who receive this offer outside the British Virgin Islands (in a manner which does not contravene the laws of the jurisdiction in which such offer is received) and who meet the Issuer's eligibility criteria.

14. THE CAYMAN ISLANDS

Each Dealer and/or distributor of the Securities shall agree to comply with any direction of the Registrar of Companies in the Cayman Islands prohibiting (a) the sale of the Securities in the Cayman Islands or (b) any invitation in the Cayman Islands to subscribe for the Securities.

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## FORM OF THE SECURITIES

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*Information under this heading is applicable to Securities for which the Clearing Agent is specified to be Euroclear Bank S.A./N.V. and/or Clearstream Banking in the applicable Final Terms.*

### **Initial Issue of Securities**

#### *Global Securities in bearer form*

Global Securities in bearer form may be delivered on or prior to the original issue date of the related Series of Securities to a Clearing Agent or the depository for one or more Clearing Agents (the “**Common Depository**”).

Upon the initial deposit of a Global Security in bearer form with a Common Depository for a Clearing Agent, such Clearing Agent will credit each subscriber with a nominal amount or unit quantity of Securities equal to the nominal amount thereof for which it has subscribed and paid.

Securities that are initially deposited with the Common Depository for a Clearing Agent (the “**Relevant Clearing Agent**”) may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other Clearing Agents through direct or indirect accounts with the Relevant Clearing Agent held by such other Clearing Agents. Conversely, Securities that are initially deposited with any other Clearing Agent may similarly be credited to the accounts of subscribers with the Relevant Clearing Agent.

### **Relationship of Accountholders with Clearing Agents**

For so long as any of the Securities is represented by a Global Security and such Global Security is held on behalf of one or more Clearing Agents, each person who is for the time being shown in the records of a Clearing Agent as the holder of a particular nominal amount or unit quantity of Securities (an “**Accountholder**”) shall be treated as the holder of that nominal amount or unit quantity of Securities for all purposes other than with respect to the payment or delivery of any amount on the Securities, the right to which shall be vested, as against the Issuer, solely in the bearer of a Global Security in accordance with and subject to its terms. Each Accountholder must look solely to the relevant Clearing Agent for its share of each payment or delivery made to the bearer of a Global Security.

The Issuer covenants in favour of each Accountholder that it will make all payments in respect of the nominal amount or unit quantity of Securities for the time being shown in the records of the relevant Clearing Agents as being held by the Accountholder and represented by a Global Security to the bearer of a Global Security in accordance with its terms and acknowledges that each Accountholder may take proceedings to enforce this covenant and any of the other rights which it has (described under the preceding paragraph) directly against the Issuer.

## **Exchange**

### *Temporary Global Securities*

Each temporary Global Security in bearer form will be exchangeable on or after its Exchange Date (as defined below):

- (i) if such temporary Global Security is held by a Clearing Agent and any such Clearing Agent is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention to cease business permanently or does in fact do so and the Holder is unable to settle such Securities through any non-affected Clearing Agent, in whole but not in part only, at the request of the bearer of such temporary Global Security, for Definitive Securities in bearer form (as defined below);
- (ii) if so specified in the Final Terms, General Conditions or Product Conditions of such temporary Global Security, in an aggregate nominal amount or unit quantity equal to the nominal amount or unit quantity of such temporary Global Security submitted for exchange, in whole but not in part only, at the request of the bearer of such temporary Global Security, for Definitive Securities in bearer form (as defined below); or
- (iii) free of charge to the Holder, in whole or from time to time in part, for interests in a permanent Global Security in bearer form,

provided that in each case, certification as to non-US beneficial ownership in the form required by the relevant Clearing Agent has been provided to such Clearing Agent with respect to such nominal amount or unit quantity submitted for such exchange.

### *Permanent Global Securities*

Each permanent Global Security in bearer form will be exchangeable on or after its Exchange Date (as defined below), in whole but not in part, for Definitive Securities in bearer form (as defined below):

- (i) if such permanent Global Security is held by a Clearing Agent and any such Clearing Agent is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention to cease business permanently or does in fact do so and the Holder is unable to settle such Securities through any non-affected Clearing Agent; or
- (ii) if so specified in the Final Terms, General Conditions or Product Conditions of such permanent Global Security, in an aggregate nominal amount or unit quantity equal to the nominal amount or unit quantity of such permanent Global Security submitted for exchange,

provided that in each case, certification as to non-US beneficial ownership in the form required by the relevant Clearing Agent has been provided to the such Clearing Agent with respect to such nominal amount or unit quantity submitted for such exchange.

## **Delivery of Securities**

On or after any due date for exchange the holder of a Global Security may surrender such Global Security or, in the case of a partial exchange, present it for endorsement to or to the order of the Principal Agent. In exchange for any Global Security, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Security exchangeable for a permanent Global Security, deliver, or procure the delivery of, a permanent Global Security in an aggregate nominal amount or unit quantity equal to that of the whole or that part of a temporary Global Security that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Security to reflect such exchange or (ii) in the case of a Global Security exchangeable for Definitive Securities, deliver, or procure the delivery of, an equal aggregate nominal amount or unit quantity of duly executed and authenticated Definitive Securities. In this Base Prospectus, “Definitive Securities” means, in relation to any Global Security the definitive bearer Securities, as applicable, for which such Global Security may be exchanged (if appropriate, having attached to them all Coupons in respect of interest that have not already been paid on the Global Security). Definitive Securities will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form available from the offices of the Issuer.

#### **Exchange Date**

“**Exchange Date**” means, in relation to a temporary Global Security in bearer form, the first day following the expiry of 40 days after the Issue Date and, in relation to a permanent Global Security in bearer form, following the giving of notice requiring exchange and on a day on which banks are open for business in the city in which the specified office of the Principal Agent is located and in the city in which the relevant Clearing Agent is located.

#### **Amendment to Conditions**

The temporary Global Securities and permanent Global Securities contain provisions that apply to the Securities that they represent, some of which modify the effect of the terms and conditions of the Securities set out in this Base Prospectus. The following is a summary of certain of those provisions:

(i) *Payments or Delivery*

Any payments or deliveries (as the case may be) that are made in respect of a Global Security in bearer form shall be made to its holder against presentation and (if no further payment or delivery falls to be made on it) surrender of it at the specified office of the Principal Agent or of any other Agent provided for in the Conditions. If any payment or delivery (as the case may be) is made in respect of any Security represented by a Global Security in bearer form (i) in full, the portion of such Global Security representing such Security shall be cancelled and the amount or unit quantity so cancelled shall be endorsed by or on behalf of the Principal Agent on such Global Security (such endorsement being prima facie evidence that the payment or delivery in question has been made) or (ii) otherwise, a record of each such payment or delivery shall be endorsed by or on behalf of the

Principal Agent on such Global Security (such endorsement being prima facie evidence that the payment or delivery in question has been made).

(ii) *Cancellation*

Cancellation of any Security represented by a temporary or permanent Global Security in bearer form that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount or unit quantity of the relevant temporary or permanent Global Security.

**No Securities in registered form**

No Securities may be issued in global registered form or definitive registered form.

**Securities in certificated form**

All Securities, other than Dematerialised Securities, will be issued in certificated form.

**Securities in dematerialised form**

Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time to time (the “**Rules**”). Accordingly, in these Conditions, the term “Holder” means a person in whose name a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

**Clearing and Settlement**

*Please refer to “Clearing and Settlement” for information on clearing and settlement of Global Securities.*

**Securities cleared through CREST**

*Dematerialised Securities may be issued that are cleared through CREST (defined below under “General Information – Clearing and Settlement Systems”) that will be (i) participating securities and (ii) uncertificated securities in accordance with the Uncertificated Securities Regulations 2001 (SI. No. 3755) as amended, supplemented or replaced from time to time (the “Regulations”). In the case of Securities cleared through CREST, title to the Securities is recorded on the relevant Operator register of corporate securities (as defined in the Regulations). The Registrar on behalf of the Issuer will maintain a register of such Securities recorded on the relevant Operator register of corporate securities (the “Register”) and shall procure that the Register is regularly updated to reflect the Operator register of corporate securities in accordance with the rules and practices from time to time of the Operator and the Regulations. Please see the relevant General Conditions, Product Conditions and Final Terms for further information on Securities cleared through CREST.*

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## CLEARING AND SETTLEMENT

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Clearing and settlement of the Global Securities will be effected in accordance with the operating procedures of Euroclear, Clearstream, Luxembourg or any other Clearing Agent, as applicable.

### **Euroclear and Clearstream, Luxembourg**

Custodial and depositary links have been established with Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Securities and cross-market transfers of the Securities associated with secondary market trading.

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders and provide various services including safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also provide clearance and settlement facilities for domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system.

Distributions of principal and interest and any other amounts with respect to book-entry interests in the Securities held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by Euroclear or Clearstream, Luxembourg from the Principal Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg customers in accordance with the relevant system's rules and procedures.

The holdings of book-entry interests in Securities in Euroclear and Clearstream, Luxembourg will be reflected in the book-entry accounts of each such institution. Beneficial ownership in Securities will be held through financial institutions as direct and indirect participants in Euroclear and Clearstream, Luxembourg. Euroclear and Clearstream, Luxembourg, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the Securities, will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interests in the Securities. The Principal Agent will be responsible for ensuring that payments received by it from the Issuer for holders of interests in the Securities holding through Euroclear and Clearstream, Luxembourg are credited to Euroclear or Clearstream, Luxembourg, as the case may be. Payments to holders of Securities represented by Definitive Securities will be made in accordance with the Conditions.

The Issuer will not impose any fees in respect of the Securities; however, holders of book-entry interests in the Securities may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream, Luxembourg.

**Trading between Euroclear and/or Clearstream, Luxembourg Accountholders**

Secondary market sales of book-entry interests in the Securities held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Securities through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional eurobonds.

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## GENERAL INFORMATION

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### Authorisation

On 15 December 2009 and 20 January 2010, the Board of Directors of RBSG approved the appointment of a committee to approve the establishment of, and/or updates to, and/or issuance of, notes under certain debt issuance programmes of RBSG. That committee established a sub-committee in relation to the Programme which authorised the establishment of the Programme on 25 June 2012.

### Listing

Application will be made to NYSE Euronext or any other stock exchange or market for Securities issued up to the expiry of 12 months from the date of this Base Prospectus to be admitted to trading and to be listed on Euronext Amsterdam by NYSE Euronext or any other stock exchange or market. Certain Securities issued under this Base Prospectus may not be listed. For so long as the Securities are listed on Euronext Amsterdam by NYSE Euronext and NYSE Euronext requires so, there will be a paying agent in The Netherlands. Citibank International Plc, Netherlands Branch, Global Transaction Services, Hoge Mosten 2, 4822 NH Breda, The Netherlands has been appointed as the initial paying agent in The Netherlands.

An issue of Securities of the same class as Securities already trading on a stock exchange or market for Securities, will only be admitted to trading on the same such stock exchange or market for Securities.

### Recent Developments

#### *Proposals - Dutch Scheme*

On 26 March 2012, RBSG and RBS announced that (1) RBS N.V. (as the demerging company) and RBS II B.V. (as the acquiring company) had that day filed a proposal with the Dutch Trade Register for a legal demerger and (2) following a preliminary hearing at the Court of Session in Scotland, RBS and RBS II B.V. had that day made filings with Companies House in the UK and the Dutch Trade Register respectively for a proposed cross-border merger of RBS II B.V. into RBS (together with the proposal for the legal demerger, the “**Proposals**”). Upon implementation of the Proposals, a substantial part of the business conducted by RBS N.V. in The Netherlands as well as in certain EMEA branches of RBS N.V. (the “**Transferring Businesses**”) will be transferred to RBS. The Proposals will be implemented by the demerger of the Transferring Businesses into RBS II B.V. (a Dutch company licensed as a bank in The Netherlands that has been established specifically for the purposes of the Dutch Scheme (as defined below)) by way of a Dutch statutory demerger (the “**Demerger**”), followed by the merger of RBS II B.V. into RBS through a cross-border merger (the “**Merger**” and, together with the Demerger, the “**Dutch Scheme**”). RBS and RBS N.V. have discussed the Dutch Scheme in detail with De Nederlandsche Bank and the Financial Services Authority. Implementation of the Dutch Scheme is subject, amongst other matters, to regulatory and court

approvals. If granted, the regulatory approvals will be granted on the basis that the Demerger will not proceed unless the Merger is to proceed thereafter. On 18 June 2012, the Court of Session in Scotland made an order, *inter alia*, approving the completion of the Merger for the purposes of Article 11 of Directive 2005/56/EC of the European Parliament and the Council of the European Union. It is expected that the Dutch Scheme will take effect on 9 July 2012.

#### *National Loan Guarantee Scheme*

On 20 March 2012, the Group agreed to participate in the National Loan Guarantee Scheme (the “**Scheme**”), pursuant to which The Commissioners of Her Majesty’s Treasury (“**HM Treasury**”) have agreed to unconditionally and irrevocably guarantee the due payment of all sums due and payable by the Group under any senior unsecured notes issued by the Group in accordance with the terms of the Scheme in respect of which HM Treasury issues a guarantee certificate. The guarantor’s obligations in that respect are contained in the deed of guarantee dated 20 March 2012, the form of which is available at [www.dmo.gov.uk](http://www.dmo.gov.uk).

#### *Ratings*

Moody’s Investors Service Limited (“**Moody’s**”) is expected to rate: senior notes issued by RBSG with a maturity of one year or more “Baa1”; senior notes issued by RBSG with a maturity of less than one year “P-2”; and dated subordinated notes, undated tier 2 notes and tier 1 notes issued by RBSG will be rated on a case-by-case basis.

As defined by Moody’s, a “Baa” rating means the ability of the Issuer to meet its obligations on the relevant notes issued by it is judged to be medium grade and subject to moderate credit risk and as such may possess certain speculative characteristics. As defined by Moody’s, the addition of a “1” indicates that the obligation ranks in the higher end of its generic rating category. As defined by Moody’s, a “P-2” rating means that the Issuer has a strong ability to repay its short-term debt obligations on the relevant notes issued by it.

The rating definitions set out above constitute third-party information and were obtained in the English language from the publication entitled “Rating Symbols and Definitions - June 2012” published by Moody’s (available at [www.moodys.com](http://www.moodys.com)).

The rating definitions set out in this Base Prospectus have been accurately reproduced from the sources identified above and, so far as RBSG is aware and is able to ascertain from information published by the third parties referred to above, no facts have been omitted which would render the ratings definitions set out above inaccurate or misleading.

A rating is not a recommendation to buy, sell or hold securities and may be subject to change, suspension or withdrawal at any time by the assigning rating agency.

#### **No Significant Change and No Material Adverse Change**

There has been no significant change in the financial position of the Group taken as a whole since 31 December 2011 (the end of the last financial period for which audited financial information of the Issuer Group has been published).

There has been no material adverse change in the prospects of the Group taken as a whole since 31 December 2011 (the date of the last published audited financial information of the Group).

### **Documents available**

During the validity of this Base Prospectus, copies of the following documents will, when published or otherwise entered into, be available, free of charge, from the registered office of the Issuer:

- (a) the incorporation documents of the Issuer;
- (b) the consolidated audited financial statements of the Issuer in respect of the financial years ended 31 December 2010 and 31 December 2011, together with the audit reports thereon;
- (c) all future consolidated financial statements of the Issuer;
- (d) a copy of the Registration Document;
- (e) a copy of this Base Prospectus;
- (f) a copy of the Agency Agreement;
- (g) a copy of the Programme Agreement; and
- (h) all documents incorporated herein by reference.

In addition, copies of the Registry Services Agreement (as defined in the “**Conditions**”) will be made available for inspection during normal business hours at the registered office of the Registrar in respect of Securities cleared through CREST (defined below).

### **Clearing and settlement systems**

The Securities have been accepted for clearance through Clearstream Banking AG (“**Clearstream AG**”), Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. (“**Euroclear Netherlands**”), Euroclear Bank, S.A./N.V. (“**Euroclear Luxembourg**”), Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”) Euroclear Finland OY (“**Euroclear Finland**”), Euroclear Sweden AB (“**Euroclear Sweden**”) and Verdipapirsentralen ASA (“**VPS ASA**”) and the dematerialised and uncertificated securities trading system operated by Euroclear UK and Ireland Limited (“**CREST**”). The appropriate WKN, Common Code, International Securities Identification Number and Valoren for each Series allocated by Clearstream AG, Euroclear Netherlands, Euroclear, Luxembourg, Clearstream, Luxembourg Euroclear Finland, Euroclear Sweden and VPS ASA, and any other relevant security code allocated by any other relevant clearing system, will be specified in the applicable Final Terms. If the Securities are to clear through an additional or alternative clearing system the appropriate additional or alternative information will be specified in the

applicable Final Terms. Transactions will normally be effected for settlement not earlier than three days after the date of the transaction.

### **Information on the Offering of the Securities**

#### **(a) Offer Process**

For a short period prior to the Launch Date specified in the applicable Final Terms, the Securities of the relevant Series may be offered by the Dealer for subscription to prospective investors but the Dealer reserves the right to close subscription early. The Issuer anticipates that it will deliver the Final Terms in respect of each Series of the Securities which are to be admitted to trading and listed on Euronext Amsterdam by NYSE Euronext prior to the commencement of the Subscription Period specified in the Final Terms or prior to the Launch Date specified in the Final Terms if there is no Subscription Period. On or about the Launch Date, the Issuer will, pursuant to its agreement with NYSE Euronext, offer to buy or sell the Securities of any Series to be admitted to trading and listed on Euronext Amsterdam. Any such trading, if any, will be on an as, if and when issued basis until the Issue Date specified in the applicable Final Terms. The Issuer expects that each such Series of the Securities will be admitted to trading on Euronext Amsterdam with effect from the Launch Date stated in the applicable Final Terms. Except in the case of dematerialised Securities, the Securities will be issued in global form and all trades will be settled in the applicable clearing systems on their usual basis for secondary market transactions. Other than the issue price of the Securities of the relevant Series, each prospective investor shall not be required to pay any expenses to the Issuer in order to subscribe for the relevant Securities.

Securities may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as the Issuer may decide. The Issuer may also issue unlisted Securities and/or Securities not admitted to trading on any market.

#### **(b) Description of the Application and Payment Process for a Prospective Purchaser**

Applications for Securities may be made by a prospective purchaser through any Dealer, broker, financial adviser, banker, financial intermediary or other agent acting in such a capacity (each a "**Selling Agent**") which has a relationship with the Issuer governing the sale of the Securities. Pursuant to anti-money laundering regulations, prospective purchasers who are not an existing client of a Selling Agent may be required by their Selling Agent of choice to complete an anti-money laundering form and to provide further evidence of identification in advance of applying for any Securities.

Each prospective purchaser should ascertain from its Selling Agent of choice when that Selling Agent will require receipt of cleared funds from its clients in respect of applications for Securities and the manner in which payment should be made to the Selling Agent. Each Selling Agent may impose different arrangements relating to the purchase of Securities and prospective investors should contact the Selling Agents directly for information concerning such arrangements. Applicants for Securities who arrange to purchase the Securities

through a Selling Agent should note that in doing so they are assuming the credit risk of the relevant Selling Agent and that such arrangements will be subject to the applicable conditions of the relevant Selling Agent.

**(c) Conditions to Which the Offer is Subject**

The offer, in respect of a particular Series of Securities is subject to the Conditions as set out in this Base Prospectus, the relevant Final Terms and any document incorporated by reference (see "*Documents Incorporated by Reference*").

**(d) Minimum/Maximum Application Amount**

Investors are required to subscribe for a minimum of one (1) Security and thereafter in multiples of one (1) Security unless otherwise specified in the relevant Final Terms in respect of the relevant Series of the Securities. There is no maximum subscription amount unless otherwise stated in the relevant Final Terms in respect of the relevant Series of the Securities.

**(e) Scale-back and Cancellation**

The Issuer and/or any Dealer reserves the right, prior to the Issue Date, in its absolute discretion to:

1. decline in whole or in part an application for Securities such that a prospective purchaser for Securities may, in certain circumstances, not be issued the number of (or any) Securities for which it has applied ("**Scale-back**"); or
2. withdraw, cancel or modify the offer of the Securities ("**Cancellation**").

The Issuer may Scale-back or effect a Cancellation of the Securities without notice and will notify prospective investors, either directly or indirectly through a relevant Selling Agent, of such Scale-back or Cancellation after such Scale-back or Cancellation has occurred. In the event that the Securities are not issued, no subscription monies shall be payable by prospective purchasers to the Issuer (either directly or indirectly through a Selling Agent (as defined above)) in respect of the Securities. Prospective purchasers should contact their Selling Agent of choice for details of the arrangements for the return of application monies in such circumstances. Neither the Issuer nor where the Selling Agent is not the Dealer, the Dealer shall have any responsibility for, or liability arising out of, the relationship between prospective purchasers and their respective Selling Agents and clearing system operators, including, without limitation, in respect of arrangements concerning the return of monies by such persons to their clients.

**(f) Details of the Manner in Which the Results of the Initial Offer are to be Made Public**

The total amount of the offer shall be as specified in the relevant Final Terms in respect of the relevant Series of the Securities. If an amount is not fixed then the Issuer will make a notification pursuant to Article 8 of the Prospectus Directive. Except in the case of (i) for a Scale-back or a Cancellation, in which case the Issuer will notify prospective investors of such Scale-back or Cancellation as described in sub-paragraph (e) above, or (ii) as otherwise specified in the relevant Final Terms in respect of the relevant Series of the Securities, the Issuer will issue all of the Securities that are the subject of the offer on the Issue Date. A prospective investor

submitting an application to purchase Securities will be notified by the Issuer, either directly or indirectly through a relevant Selling Agent, of the acceptance or otherwise of such application on or prior to the Issue Date. Dealing may begin before such notification is made.

**(g) Categories of Investors to which Securities are Offered**

The Securities will be offered to both retail and qualified investors.

**(h) Expenses and Taxes**

Any expenses are described in the relevant Product Conditions and Final Terms for the relevant Series and will be deducted accordingly. For further information on taxes, please refer to the section titled “**Taxation**”.

**(i) Responsibility Statement**

The Issuer accepts responsibility for the information contained in this Base Prospectus, as completed and/or amended by the Final Terms. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

**(j) Post-issuance information**

The Issuer does not intend to provide any post-issuance information.

**(k) Description of the Securities**

The notes are investment instruments which may or may not bear interest and which, at maturity or earlier termination, either pay a cash amount which may or may not be equal to the nominal amount of the relevant note, less certain expenses (the “**Cash Amount**”) or, in the case of exchangeable notes, permit the holder thereof (the “**Holder**”) to exchange his note for, depending on the terms of the relevant note, a defined amount of the Underlying (as defined below) or an amount in cash calculated by reference to the value of the Underlying (the “**Conversion Amount**”). The amount of interest to be paid and/or the Cash Amount and/or the Conversion Amount may or may not be dependent upon the performance of an Underlying, be it underlying reference rate, share, index (including in the case of an index, the index and its constituent elements) or basket, in all cases, as provided in the terms of the relevant note. As such, each note will entail particular risks. Notes which are not capital protected may result in the Holder losing some or, in certain limited cases, all of his initial investment. Notes where the interest amount paid is dependent upon the performance of the Underlying may result in the Holder receiving no or only a limited periodic return on his investment.

The price at which a Holder will be able to sell notes prior to their redemption may potentially be at a substantial discount to the market value of the notes at the issue date, if, at such time and in addition to any other factors, the value of the Underlying is below, equal to or not sufficiently above the value of the Underlying at the issue date.

The types of note that may be issued under this Base Prospectus are described below.

Range accrual notes are interest bearing cash settled securities. Range accrual notes are redeemed at a percentage of their nominal amount. The amount of interest paid on a range accrual note depends on the performance of one or more underlying reference rates, as specified in the applicable Final Terms. Typically, interest will accrue for each relevant day in an interest period on which the Underlying performs in the manner specified in the Final Terms but will not accrue in respect of other days. Interest on a range accrual note may also be paid at a pre-determined specified rate for certain interest periods specified in the applicable Final Terms.

Ladder notes are interest bearing cash settled securities which may be called by the Issuer on specified dates. Ladder notes are redeemed at a percentage of their nominal amount. The amount of interest paid on a ladder note depends on the performance of an underlying reference rate, as specified in the applicable Final Terms. Typically, interest will be paid in respect of each interest period either at a pre-determined specified rate or at the difference between a pre-determined specified rate and an identified floating rate for the relevant interest period, subject in the latter case to any minimum rate specified for the relevant interest period, all as specified in the applicable Final Terms.

Target coupon notes are interest bearing cash settled securities. Target coupon notes are redeemed at a percentage of their nominal amount. The amount of interest paid on a target coupon note depends on the performance of one or more underlying shares, as specified in the applicable Final Terms. Typically, a target interest amount will be set which, if reached prior to maturity, may result in early termination of the securities. In certain cases additional interest amounts may also be paid as specified in the applicable Final Terms.

Rate notes are cash settled securities which may or may not bear interest and are redeemed at their nominal amount or a stated percentage thereof. The amount of interest paid on a rate note may depend on the performance of one or more underlying reference rates and/or may be determined by reference to a fixed rate or rates, as specified in the applicable Final Terms.

Zero coupon notes are cash settled securities which are issued at a percentage of the nominal amount and which do not bear any interest.

Currency exchange notes are cash settled securities which may or may not bear interest and are redeemed at (i) their nominal amount or a stated percentage thereof or (ii) an amount equal to a percentage of the Underlying as specified in the applicable Final Terms. The amount of interest paid on a currency exchange note will depend on the performance of one or more underlying currency exchange rates, as specified in the applicable Final Terms.

Yield discovery notes are capital protected interest bearing cash settled securities. Yield discovery notes are redeemed at their nominal amount. The amount of interest paid on a yield discovery note depends on the performance of an underlying basket of shares, as specified in the applicable Final Terms. The maximum rate of interest so determined may be capped at the level specified in the applicable Final Terms. Interest on

a yield discovery note may also be paid at a pre-determined specified rate for certain interest periods as specified in the applicable Final Terms. The rate of interest for certain interest periods may be at least the level of the previous year.

Certificate notes are cash settled securities which may or may not be interest bearing or capital protected. The Cash Amount payable at maturity of a certificate note will at least equal its nominal amount (if it is capital protected) plus a return (which may be zero) calculated by reference to the performance of one or more underlying certificates, as specified in the applicable Final Terms.

Index notes are cash settled securities which may be partially or fully capital protected and may be interest bearing. If applicable, interest may be payable at a rate specified in the applicable Final Terms. The Cash Amount payable at maturity on an index note will at least equal a specified percentage of its nominal amount but may be higher than that amount and may be subject to a capped maximum gain depending on the performance of the Underlying, as specified in the applicable Final Terms.

Inflation index notes are fixed-income securities that track an inflation index. The Cash Amount payable at maturity on an inflation index note may equal a specified percentage of its nominal amount but may depend on the performance of the inflation index, as specified in the applicable Final Terms.

Callable index notes are non-interest bearing cash settled securities. The Cash Amount payable on the note will depend on the performance of the underlying index specified in the applicable Final Terms. If during the life of the note the Issuer determines that an early redemption event has occurred, the note may be redeemed at an amount determined in the manner specified in the applicable Final Terms. If, by the maturity date, an early redemption event has not occurred, the Cash Amount paid in respect of the note will depend upon the performance of the Underlying at maturity and may be less than the nominal amount of the note.

Autocallable Notes are cash settled or physically settled (if specified in the applicable Final Terms) securities which may or may not be capital protected and may be interest bearing. The Cash Amount payable on, and the maturity date of, the note will depend on the performance of the Underlying specified in the applicable Final Terms. If on specified dates during the life of the note the level of the Underlying performs in a specified manner (an “**Early Termination Event**”), the note will be redeemed at its nominal amount plus an additional amount specified in the applicable Final Terms. If, by the maturity date, an Early Termination Event has not occurred, the Cash Amount paid in respect of the note will depend upon the performance of the Underlying at maturity and may be less than the nominal amount of the note.

Share notes are cash settled securities and may be interest bearing. If applicable, interest may be payable on a share note at a rate specified in the applicable Final Terms. The Cash Amount payable at maturity of a share note may be at least equal to a specified percentage of its nominal amount, may be subject to a capped gain and/or may depend on the performance of the Underlying, as specified in the applicable Final Terms.

Exchangeable notes may be cash settled or physically settled securities and may be interest bearing. If applicable, interest may be payable on an exchangeable note at a rate specified in the applicable Final Terms.

The cash amount payable at maturity of a cash settled exchangeable note may be at least equal to a specified percentage of its nominal amount, may be subject to a capped gain and/or may depend on the performance of the Underlying, as specified in the applicable Final Terms. In the case of a physically settled exchangeable note, the share amount to be delivered will be determined by reference to the performance of the underlying share in the manner specified in the applicable Final Terms.

Multi-asset Basket Linked Notes are cash settled securities which may be partially or fully capital protected and may be interest bearing. If applicable, interest may be payable at a rate specified in the applicable Final Terms. The cash amount payable at maturity on a note will at least equal a specified percentage of its Nominal Amount but may be higher than that amount and may be subject to a capped maximum gain depending on the performance of the Underlying, as specified in the applicable Final Terms.

Fund linked notes are cash settled securities which may be partially or fully capital protected and may be interest bearing. If applicable, interest may be payable at a rate specified in the applicable Final Terms.

Basket related capital protected notes enable investors to participate in the performance of one or more baskets of different components relating to the relevant Series (including, without limitation and as specified in the applicable Final Terms, an index component, a real estate index component, a commodity component or a bond index component). In addition to capital protection, an investor may, as specified in the applicable Final Terms, receive an additional amount depending on the performance of one or more baskets of different components. If specified in the applicable Final Terms, an Interim Cash Settlement Amount or Interest Amount (each as defined in the applicable Final Terms) will be payable (subject to any applicable conditions being met) on the Interim Cash Settlement Amount Payment Date or each Interest Payment Date, as the case may be.

Commodity notes are cash settled securities which may be partially or fully capital protected and may or may not be interest bearing. The Cash Amount payable at maturity of a commodity note is calculated by reference to the performance of one or more underlying commodities, as specified in the applicable Final Terms.

### **Equity Securities**

The United Kingdom government currently holds approximately 67 per cent. of the issued ordinary share capital of RBSG.

### **Third Party Information**

Where information has been sourced from a third party, the Issuer confirms that this information has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

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## PROPRIETARY INDEX DESCRIPTIONS

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### **RBS VC Aquantum Pegasus Index (SEK) ER 6% (the “Index”)**

The Index is calculated and maintained by Future Value Consultants Limited based on a methodology developed by The Royal Bank of Scotland plc (the “**Index Sponsor**”) (which, for the avoidance of doubt, does not form part of this Index description).

The Index aims to track a notional strategy that applies a risk-stabilisation and currency conversion overlay to the Aquantum Pegasus Excess Return Index (USD) (which is a published index sponsored by Aquantum SARL (the “**Reference Index**”)) and includes the deduction of any costs incurred by the Index Sponsor, management fees and performance fees.

The currency conversion overlay involves the application of the Quampo™ technology. Quampo™ is a dynamic technology created by the Index Sponsor for dealing with currency risk exposures. Quampo™ implements an algorithm that converts the Reference Index’s original currency to another desired currency. As a result of applying this technology, only the change in value of an underlying asset is exposed to currency risk, instead of the full notional value as would be the case otherwise. In this Index, the technology allows the Index Sponsor to create an Index denominated in Swedish kronor from the Reference Index which is denominated in U.S. dollars.

The purpose of the risk-stabilization overlay is to dynamically adjust exposure to the Reference Index after the deduction of costs and fees and application of the currency conversion overlay (the “**Currency Converted Final Underlying**”) based on the Effective Realised Volatility of the Currency Converted Final Underlying.

The “Effective Realised Volatility” is calculated as the maximum Realised Volatility over 5 consecutive strategy calculation dates which are used as reference observation dates (each, an “**Observation Date**”). The “Realised Volatility” herein is specifically a measure of how much the daily returns of the Currency Converted Final Underlying have fluctuated around their average in the past over a defined time period. The time period is taken to be twenty (20) days and the average is calculated as the arithmetic mean.

Exposure to the Currency Converted Final Underlying is reduced if the Effective Realised Volatility of the Currency Converted Final Underlying increases to certain levels. Conversely, exposure to the Currency Converted Final Underlying is increased if the Effective Realised Volatility of the Currency Converted Final Underlying decreases to certain levels. The dynamic participation provides for the Index to have exposure to the Currency Converted Final Underlying within a range from a minimum of 0% to a maximum of 145.00%.

The dynamically adjusted exposure (the “**Dynamic Participation**”) is thus determined according to the range that the Effective Realised Volatility falls within. The ranges of the Effective Realised Volatility and the corresponding dynamic participation values are described in the methodology for the Index.

The final Index level is calculated daily by increasing or decreasing the exposure to the Reference Index by applying the Dynamic Participation, irrespective of whether the performance of the Reference Index is negative or positive. Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code RBSAQPK1.

A copy of the Index rules relating to the Index will be available upon request from the beginning of the Offer Period (if any) to the maturity date upon request at the offices of the Index Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA. Investors should note that this is a description of the Index rules and does not contain detailed provisions of the Index rules. In order to obtain the Index rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

Index Sponsor: The Royal Bank of Scotland plc

*Disclaimer:*

Although the Index Sponsor will obtain information for inclusion in or for use in the calculation of the Index from sources which the Index Sponsor considers reliable, the Index Sponsor will not independently verify such information and does not guarantee the accuracy and/or the completeness of the Index or any data included therein. The Index Sponsor is under no obligation to advise any person of any error in the Index.

The Index Sponsor makes no express or implied representations or warranties concerning (i) whether or not the Index may achieve any particular level or meet or correlate with any particular objective or (ii) the fitness for any purpose of the Index.

The Index Sponsor accepts no legal liability to any person in connection with its publication and dissemination of the Index.

Nothing in this description will:

- (i) exclude or restrict any obligation the Index Sponsor may have to any recipient of this description, nor any liability the Index Sponsor may incur to any such recipient, under the Financial Services and Markets Act 2000, or the regulatory regime thereunder; or
- (ii) exclude or restrict, to an extent prohibited by law, any duty or liability the Index Sponsor may have to any recipient of this description.

Neither the Issuer nor Aquantum SARL is responsible for the level of performance of the Index. The Index represents a notional strategy investment and no actual investment in the Index components is made. There can be no assurance that the Index will attain the Note' objective. Aquantum SARL's role is limited to the calculation and publication of the Index.

Aquantum SARL is a company which was established only recently and neither Aquantum SARL nor any individuals engaged with the management of the Index on behalf of Aquantum SARL have a track record in this area of practice. Consequently, the investors in Securities linked to the Index need to evaluate Aquantum SARL's management ability to achieve a positive performance of the Index very carefully. Investors in a Note linked to the Index should be aware that The Royal Bank of Scotland plc has not investigated Aquantum SARL's management ability and acts only in its capacity as the issuer of securities linked to the Index. The Royal Bank of Scotland plc does not accept any responsibility for the performance of the Index.

## **RBS VC European Dynamic Analyst Index (EUR) ER 10% (the “Index”)**

The Index is calculated and maintained by Future Value Consultants Limited, based on a methodology (the “**Index Rules**”) (which, for the avoidance of doubt, do not form part of this Index description) developed by The Royal Bank of Scotland plc and aims to track the performance of a rule-based long-short investment strategy (the “**Strategy**”) linked to the 50 largest securities in the Eurozone.

In the context of the Strategy, an economic interest in the positive performance of a basket of securities is acquired (the “**Long Basket**”). At the same time an economic interest in the negative performance of another basket of securities is acquired (the “**Short Basket**”).

On each quarterly selection date, the Strategy records a consensus estimated price target, as published by the Institutional Brokers’ Estimate System (the “**Price Target Estimate**”) for each security in the Euro Stoxx 50 Index (the “**Underlying Reference Index**”).

The 10 securities in the Underlying Reference Index that, on the relevant quarterly selection date, have the highest percentage difference between their price and the Price Target Estimate will form the Long Basket for the three month period starting on the next date the Long and Short Baskets are determined (the “**Index Rebalance Date**”).

The 10 securities in the Underlying Reference Index that, on the relevant quarterly selection date, have the lowest percentage difference between their price and the Price Target Estimate will form the Short Basket for the three month period starting on the next Index Rebalance Date.

The Index performance at any time during the three-month period from one Index Rebalance Date to the next Index Rebalance Date is the difference between the performance of the Long Basket and the Short Basket on the date on which the Index performance is measured.

Additionally, the exposure to the Long Basket and Short Basket is dynamic in response to the realised volatility of the Index compared to a target level of volatility. The dynamic response mechanism aims to keep the realised volatility of the Index close to a target level. Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code ABFVEDEU.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the Offer Period (if any) to the maturity date upon request at the offices of the Index Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA. Investors should note that this is a description of the Index Rules and does not contain detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

Index Sponsor: The Royal Bank of Scotland plc

*Disclaimer:*

Although the Index Sponsor will obtain information for inclusion in or for use in the calculation of the Index from sources which the Index Sponsor considers reliable, the Index Sponsor will not independently verify such information and does not guarantee the accuracy and/or the completeness of the Index or any data included therein. The Index Sponsor is under no obligation to advise any person of any error in the Index.

The Index Sponsor makes no express or implied representations or warranties concerning (i) whether or not the Index may achieve any particular level or meet or correlate with any particular objective or (ii) the fitness for any purpose of the Index.

The Index Sponsor accepts no legal liability to any person in connection with its publication and dissemination of the Index.

Nothing in this description will:

- (i) exclude or restrict any obligation the Index Sponsor may have to any recipient of this description, nor any liability the Index Sponsor may incur to any such recipient, under the Financial Services and Markets Act 2000, or the regulatory regime thereunder; or
- (ii) exclude or restrict, to an extent prohibited by law, any duty or liability the Index Sponsor may have to any recipient of this description.

The Royal Bank of Scotland plc owns intellectual property rights in the Index. Any use of any such intellectual property rights must be with the consent of The Royal Bank of Scotland plc.

### **RBS VC Beta Centurion European Index (SEK) ER 16% (the “Index”)**

The Index is calculated and maintained by Standard & Poor’s, a division of The McGraw-Hill Companies Inc. based on a methodology (the “**Index Rules**”) (which, for the avoidance of doubt, do not form part of this Index description) developed by The Royal Bank of Scotland plc and aims to track the performance of the rule-based trading strategy (the “**Strategy**”) Beta Centurion.

The Index is calculated at the close of business on each Index Calculation Date. The Index Calculation Agent determines that if the closing level of the SPEURO is greater than or equal to its 52-week moving average, the Strategy will invest in the Long Basket for an investment period, the duration of which is 1 week (the “**Investment Period**”). Otherwise, the Strategy will invest in the Short Basket for the following Investment Period.

For each Investment Period, a “Long Basket” will consist of those 20 securities which have experienced the weakest performance over the immediately preceding Investment Period (the “**Long Basket**”) and a “Short Basket” will consist of those 20 securities which have experienced the strongest performance over the preceding Investment Period (the “**Short Basket**”).

The performance of the Strategy will be reflected by a base index calculated in accordance with the provisions set out in the Index Rules (the “**Base Index**”). The performance of the Long Basket for an Investment Period will be determined by reference to the performance of the securities in the Long Basket for that Investment Period minus the performance of an investment in the 1-week STIBOR rate for such Investment Period. The performance of the Short Basket for an Investment Period will be determined by reference to the performance of the securities in the Short Basket for that Investment Period plus the performance of an investment in the 1-week STIBOR rate for such Investment Period. In either case, the relevant securities for each Investment Period must be taken from a list of eligible securities (the “**Component Securities**”) as determined by the Index Calculation Agent in accordance with the eligibility criteria, as set out in the Index Rules.

In addition, the Strategy includes a dynamic participation mechanism. On any Index Calculation Date, the exposure of the Base Index to the Strategy will be adjusted to reflect the 20-day realised volatility of the Base Index. A higher realised volatility of the Base Index will result in a reduction in the level of exposure to the Strategy and a lower realised volatility of the Base Index will result in an increase in the level of exposure to the Strategy. The dynamic participation mechanism aims to keep the realised volatility of the Index close to a target level. Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code RBSDBEK1.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the Offer Period (if any) to the maturity date upon request at the offices of the Index Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA. Investors should note that this is a description of the

Index Rules and does not contain detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

Index Sponsor: The Royal Bank of Scotland plc

*Disclaimer:*

Although the Index Sponsor will obtain information for inclusion in or for use in the calculation of the Index from sources which the Index Sponsor considers reliable, the Index Sponsor will not independently verify such information and does not guarantee the accuracy and/or the completeness of the Index or any data included therein. The Index Sponsor is under no obligation to advise any person of any error in the Index.

The Index Sponsor makes no express or implied representations or warranties concerning (i) whether or not the Index may achieve any particular level or meet or correlate with any particular objective or (ii) the fitness for any purpose of the Index.

The Index Sponsor accepts no legal liability to any person in connection with its publication and dissemination of the Index.

Nothing in this description will:

- (i) exclude or restrict any obligation the Index Sponsor may have to any recipient of this description, nor any liability the Index Sponsor may incur to any such recipient, under the Financial Services and Markets Act 2000, or the regulatory regime thereunder; or
- (ii) exclude or restrict, to an extent prohibited by law, any duty or liability the Index Sponsor may have to any recipient of this description.

The Royal Bank of Scotland plc owns intellectual property rights in the Index. Any use of any such intellectual property rights must be with the consent of The Royal Bank of Scotland plc.

References to the SPEURO are included only to describe the components upon which the Index is based and not to indicate any association between The Royal Bank of Scotland plc and the sponsor of the SPEURO. The Index is not in any way sponsored, endorsed or promoted by the sponsor of the SPEURO.

Where:

**“Index Calculation Agent”** means the person responsible for calculating the Index, as described in the Index Rules, and as amended, replaced or substituted, from time to time;

**“Index Calculation Date”** means each day (other than a Saturday or Sunday) (i) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in

foreign exchange and foreign currency deposits) in London and (b) that is a TARGET Settlement Day (as defined in the 2006 ISDA Definitions); and

“**SPEURO**” means the S&P Europe 350 index.

The following disclaimer shall apply if so specified in the applicable Final Terms in relation to any Securities linked to the Index:

The Securities are not sponsored, endorsed, sold or promoted by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. (“**S&P**”) or its third party licensors. Neither S&P nor its third party licensors make any representation or warranty, express or implied, to the owners of the Securities or any member of the public regarding the advisability of investing in securities generally or in the Securities particularly or the ability of the RBS VC Beta Centurion European Index (SEK) ER 16% to track general stock market performance. S&P's and its third party licensor's only relationship to The Royal Bank of Scotland plc is the licensing of certain trademarks, service marks and trade names of S&P and/or its third party licensors and for the providing of calculation and maintenance services related to the RBS VC Beta Centurion European Index (SEK) ER 16%. Neither S&P nor its third party licensors is responsible for and has not participated in the determination of the prices and amount of the Securities or the timing of the issuance or sale of the Securities or in the determination or calculation of the equation by which the Securities are to be converted into cash. S&P has no obligation or liability in connection with the administration, marketing or trading of the Securities.

NEITHER S&P, ITS AFFILIATES NOR THEIR THIRD PARTY LICENSORS GUARANTEE THE ADEQUACY, ACCURACY, TIMELINESS OR COMPLETENESS OF THE CUSTOM INDEX OR ANY DATA INCLUDED THEREIN OR ANY COMMUNICATIONS, INCLUDING BUT NOT LIMITED TO, ORAL OR WRITTEN COMMUNICATIONS (INCLUDING ELECTRONIC COMMUNICATIONS) WITH RESPECT THERETO. S&P, ITS AFFILIATES AND THEIR THIRD PARTY LICENSORS SHALL NOT BE SUBJECT TO ANY DAMAGES OR LIABILITY FOR ANY ERRORS, OMISSIONS OR DELAYS THEREIN. S&P MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO ITS TRADEMARKS, THE CUSTOM INDEX OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT WHATSOEVER SHALL S&P, ITS AFFILIATES OR THEIR THIRD PARTY LICENSORS BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL, PUNITIVE OR CONSEQUENTIAL DAMAGES, INCLUDING BUT NOT LIMITED TO, LOSS OF PROFITS, TRADING LOSSES, LOST TIME OR GOODWILL, EVEN IF THEY HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, WHETHER IN CONTRACT, TORT, STRICT LIABILITY OR OTHERWISE.

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### **RBS VC Global Alternative Energy Index (EUR) PR 14% (the “Index”)**

The Index is calculated and maintained by Standard & Poor’s, a division of The McGraw-Hill Companies Inc. based on a methodology (the “**Index Rules**”) (which, for the avoidance of doubt, do not form part of this Index description) developed by The Royal Bank of Scotland plc.

The Index is designed to provide equal exposure to the thirty largest publicly listed companies in the global alternative energy business from the major developed markets and those from emerging markets with developed market listings. It uses a dynamic leveraging factor to automatically reduce exposure during times of market stress and increase exposure during calmer times. Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code RBSBHCE2.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the relevant Offer Period (if any) to the maturity date upon request at the offices of the Index Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA. Investors should note that this is a description of the Index Rules and does not contain detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

Index Sponsor: The Royal Bank of Scotland plc

#### *Disclaimer:*

Although the Index Sponsor will obtain information for inclusion in or for use in the calculation of the Index from sources which the Index Sponsor considers reliable, the Index Sponsor will not independently verify such information and does not guarantee the accuracy and/or the completeness of the Index or any data included therein. The Index Sponsor is under no obligation to advise any person of any error in the Index.

The Index Sponsor makes no express or implied representations or warranties concerning (i) whether or not the Index may achieve any particular level or meet or correlate with any particular objective or (ii) the fitness for any purpose of the Index.

The Index Sponsor accepts no legal liability to any person in connection with its publication and dissemination of the Index.

Nothing in this description will:

- (i) exclude or restrict any obligation the Index Sponsor may have to any recipient of this description, nor any liability the Index Sponsor may incur to any such recipient, under the Financial Services and Markets Act 2000, or the regulatory regime thereunder; or
- (ii) exclude or restrict, to an extent prohibited by law, any duty or liability the Index Sponsor may have to any recipient of this description.

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The Index is an equal-weighted index of the world's leading alternative energy companies. It is volatility-enhanced on a daily basis to stabilise the performance of the Index. Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code RBSBHCE1.

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The Index is a market-cap weighted index of the thirty largest companies, which are incorporated in emerging markets and which are active in the infrastructure industry. The weight of each constituent of the Index is capped at 10 per cent. each time the Index is re-balanced, to prevent any one constituent having too large an influence on the Index performance. The Index is volatility-enhanced on a daily basis to stabilise the performance of the Index. Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code EMIS.

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## **RBS VC BRIC 11 Index (EUR) ER 16% (the “Index”)**

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The Index synthetically invests in the RBS BRIC 11 Excess Return Asset (the “**Underlying Asset**”) using a dynamic participation mechanism, which is calculated daily by FVC. Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code RBSBBEE1.

The Underlying Asset represents exposure to an excess return investment in the RBS BRIC 11 Index (EUR) TR (Bloomberg Code: RBSYBRXI) which is designed to track the performance of 11 open ended certificates. Each open ended certificate is linked to the performance of an emerging equities market. The Underlying Asset is deemed an “excess return” investment because it represents the performance of the open ended certificates over the risk-free rate.

The final level of the Index is calculated daily by FVC using a dynamic participation mechanism. The purpose of the dynamic participation is to dynamically adjust exposure to the Underlying Asset based on the realised volatility of the Underlying Asset.

Exposure to the Underlying Asset is reduced if the realised volatility of the Underlying Asset increases to certain levels. Conversely, exposure to the Underlying Asset is increased if the Realised Volatility of the Underlying Asset decreases to certain levels.

The dynamic participation provides for the Index to have exposure to the Underlying Asset within a range from a minimum of 0% to a maximum of 150.00%.

The dynamic participation is a function of the effective realised volatility, which is calculated as the maximum realised volatility level for the Underlying Asset observed over 5 consecutive strategy calculation dates which are used as reference observation dates (each, an Observation Date). On each Observation Date, the realised volatility of the Underlying Asset is observed over the previous 20 most recent daily closing levels of the Underlying Asset up to and including the relevant Observation Date.

The dynamic participation is thus determined according to the range that the effective realised volatility falls within. The ranges of effective realised volatility and the corresponding dynamic participation values are described in the methodology for the Index.

The final Index level is calculated daily by increasing or decreasing the exposure to the Underlying Asset by applying the dynamic participation, irrespective of whether the performance of the Underlying Asset is negative or positive.

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## **RBS Symbiosis Index (USD) ER (the “Index”)**

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The Index aims to track a dynamic long-short multi-asset strategy (the “**Strategy**”) developed by Index Sponsor. The Strategy sets specific weights and exposures to the Assets (as defined below) depending on the technical indicator for each Asset developed by the Index Sponsor (the Indicator). The Indicator measures each Asset’s risk-adjusted momentum based on the Asset’s closing prices over the previous 121 Index Calculation Dates (the “**Observation Period**”).

The Strategy ranks the Indicators against one another from greatest to least. Each Asset is then given a specific weight depending on its Indicator’s rank with respect to the other Asset Indicators. The Asset with the greatest Indicator is assigned a weight of 50%, the second greatest is assigned a weight of 35%, the third greatest is assigned a weight of 10% and finally the lowest is assigned a weight of 5%.

The exposure of the Strategy to each Asset is set depending whether the Indicator is positive or negative. If the Indicator is positive, it signifies that the Asset is in a positive trend and the Strategy’s exposure to the Asset will be long. If the Indicator is negative it signifies that the Asset is in a negative trend and the Strategy’s exposure to the Asset will be short.

The Strategy invests in the following Assets: the CYD Market Neutral Plus 5 Excess Return Index, the Excess Return ABZMCSY Asset, the RICI® Enhanced<sup>SM</sup> Index ER, and the World Excess Return Asset (each an “**Asset**” and together the “**Assets**”). The Assets represent exposure to the following markets and financial areas: a market neutral strategy (in respect of the CYD Market Neutral Plus 5 Excess Return Index), FX (in respect of the Excess Return ABZMCSY Asset), the commodity markets (in respect of the RICI® Enhanced<sup>SM</sup> Index ER) and the world equity market (in respect of the World Excess Return Asset).

The selection of the weights and the exposures of each Asset is determined at the end of each month on the selection date and maintained until the next selection date. Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code RBSDRYU1.

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#### Risk Factor

The Index has either “long” or “short” exposure to each Asset. Each month, directional risk is dependent on the exposure to each Asset set by its Indicator. If the Indicator of an Asset is positive at the start of a certain month due to the historical performance of that Asset, (i.e. the relevant Indicator deems the Asset is in a positive trend), the exposure of the Index to that Asset is long for that month. If the Asset depreciates in value during that month, the Index will also depreciate in value. If the Indicator of an Asset is negative at the start of a certain month due to the historical performance of that Asset (i.e. the Indicator deems the Asset is in a negative trend), the exposure of the Index to that Asset is short for that month. If the Asset appreciates in value during that month, the Index will depreciate in value.

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### **RBS VC Sweden Top 30 Index (SEK) ER 17% (the “Index”)**

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The Index synthetically invests in the Excess Return Sweden Top 30 Index (the “**Underlying Index**”) using a dynamic participation mechanism, which is calculated daily by FVC.

The Underlying Index aims to track a dynamic strategy linked to a rolling investment in front-month futures contracts (the “**Rolling Future**”) which are OMXS30 futures contracts, traded on SSE – Stockholm Stock Exchange and denominated in SEK (the “**Futures Contracts**”). The aim of the Underlying Index is to reflect the excess return performance of the Rolling Future.

The purpose of the dynamic participation is to dynamically adjust exposure to the Underlying Index based on the Realised Volatility of the Index.

“Realised Volatility” herein is specifically a measure of how much the daily returns of the Underlying Index have fluctuated around their average in the past over a defined time period. The time period is taken to be twenty (20) days and the average is assumed to be zero.

Exposure to the Index is reduced if the Realised Volatility of the Index increases to certain levels. Conversely, exposure to the Index is increased if the Realised Volatility decreases to certain levels. The dynamic participation provides for the Index to have exposure to the Underlying Index within a range from a minimum of 0% to a maximum of 141.50%.

The dynamic participation is a function of the effective Realised Volatility, which is calculated as the maximum Realised Volatility level for the Underlying Index observed over 5 consecutive strategy calculation dates which are used as reference observation dates (each, an “**Observation Date**”). On each Observation Date, the Realised Volatility of the Underlying Index is observed over the previous 20 most recent daily closing levels of the Underlying Index up to and including the relevant Observation Date.

The dynamic participation is thus determined according to the range that the effective realised volatility falls within. The ranges of the effective realised volatility and the corresponding dynamic participation values are described in the methodology for the Index.

The final Index level is calculated daily by increasing or decreasing the exposure to the Underlying Index by applying the dynamic participation, irrespective of whether the performance of the Underlying Index is negative or positive. Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code RBSBIOK1.

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### **The Risk Stabilised BRIC 11 Strategy (the “Strategy”)**

The Strategy is calculated and maintained by Future Value Consultants Limited (“FVC” or the “**Strategy Calculation Agent**” as the context requires) based on a methodology (the “**Strategy Rules**”) (which, for the avoidance of doubt, do not form part of this Strategy description) developed by The Royal Bank of Scotland plc (the “**Strategy Sponsor**”).

The Strategy synthetically invests in the RBS BRIC 11 Index (EUR) TR (Bloomberg Code: RBSYBRXI) (the “**Underlying Index**”) using a dynamic participation mechanism, which is calculated daily by FVC.

The Underlying Index is designed to track the performance of 11 Open Ended Certificates. Each Open Ended Certificate is linked to the performance of an emerging equities market. The Underlying Index is deemed an “excess return” investment because it represents the performance of the Open Ended Certificates over the risk-free rate.

The final level of the Strategy is calculated daily by FVC using a dynamic participation mechanism. The purpose of the dynamic participation is to dynamically adjust exposure to the Underlying Index based on the realised volatility of the Underlying Index.

“**Realised Volatility**” herein is specifically a measure of how much the daily returns of the Underlying Index have fluctuated around their average in the past over a defined time period. The time period is taken to be twenty (20) days and the average is assumed to be zero.

Exposure to the Underlying Index is reduced if the Realised Volatility of the Underlying Index increases to certain levels. Conversely, exposure to the Underlying Index is increased if the Realised Volatility decreases to certain levels. The dynamic participation provides for the Strategy to have exposure to the Underlying Index within a range from a minimum of 0% to a maximum of 150.00%.

The dynamic participation is a function of the effective Realised Volatility, which is calculated as the maximum Realised Volatility level for the Underlying Index observed over 5 consecutive strategy calculation dates which are used as reference observation dates (each, an “**Observation Date**”). On each Observation Date, the Realised Volatility of the Underlying Index is observed over the previous 20 most recent daily closing levels of the Underlying Index up to and including the relevant Observation Date.

The dynamic participation is thus determined according to the range that the effective Realised Volatility falls within. The ranges of effective Realised Volatility and the corresponding dynamic participation values are described in the methodology for the Strategy.

The final Strategy level is calculated daily by increasing or decreasing the exposure to the Underlying Index by applying the dynamic participation, irrespective of whether the performance of the Underlying Index is negative or positive. Information about the past and the future performance of the Strategy and its volatility can be obtained from Bloomberg code RISTBR11.

A copy of the Strategy Rules relating to the Strategy will be available for review from the beginning of the Offer Period (if any) to the maturity date upon request at (i) the offices of the Strategy Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA and (ii) the office of any distributor. Investors should note that this description of the Strategy Rules is subject to the detailed provisions of the Strategy Rules. In order to obtain the Strategy Rules, an investor may need to give certain non-disclosure representations to the Strategy Sponsor.

Investors should note that the Strategy Rules are subject to change from time to time. In certain circumstances, the Strategy Sponsor can change the method of calculating the Strategy, or may discontinue or suspend calculation or dissemination of the Strategy which could affect the return or principal amount paid on the Securities.

Strategy Sponsor: The Royal Bank of Scotland plc

*Disclaimer:*

Although the Strategy Sponsor will obtain information for inclusion in or for use in the calculation of the Strategy from sources which the Strategy Sponsor considers reliable, the Strategy Sponsor will not independently verify such information and does not guarantee the accuracy and/or the completeness of the Strategy or any data included therein. The Strategy Sponsor is under no obligation to advise any person of any error in the Strategy.

The Strategy Sponsor makes no express or implied representations or warranties concerning (i) whether or not the Strategy may achieve any particular level or meet or correlate with any particular objective or (ii) the fitness for any purpose of the Strategy.

The Strategy Sponsor accepts no legal liability to any person in connection with its publication and dissemination of the Strategy.

Nothing in this description will:

- (i) exclude or restrict any obligation the Strategy Sponsor may have to any recipient of this description, nor any liability the Strategy Sponsor may incur to any such recipient, under the Financial Services and Markets Act 2000, or the regulatory regime thereunder; or
- (ii) exclude or restrict, to an extent prohibited by law, any duty or liability the Strategy Sponsor may have to any recipient of this description.

The Royal Bank of Scotland plc owns intellectual property rights in the Strategy. Any use of any such intellectual property rights must be with the consent of The Royal Bank of Scotland plc.

References to the RBS BRIC 11 Excess Return Certificate are included only to describe the components upon which the Strategy is based. The Strategy is not in any way sponsored, endorsed or promoted by the sponsor of the RBS BRIC 11 Excess Return Certificate

**RBS Europe Top 50 Index (USD) ER (the “Index”)**

The Index is calculated and maintained by Future Value Consultants Limited (“FVC” or the “**Index Calculation Agent**” as the context requires) based on a methodology (the “**Index Rules**”) (which, for the avoidance of doubt, do not form part of this Index description) developed by The Royal Bank of Scotland plc (the “**Index Sponsor**”).

The Index aims to track a dynamic strategy (the “**Strategy**”) linked to a rolling investment in front-month futures contracts (the “**Rolling Future**”) which are Euro STOXX 50 futures contracts, traded on EUREX and denominated in EUR (the “**Futures Contracts**”).

The aim of the Strategy is to reflect the excess return performance of the Rolling Future as adjusted by the EUR/USD forward exchange rate (the “**Forward Exchange Rate**”).

On the Index base date, there will be one Futures Contract in the Rolling Future.

Following the Index base date, the actual number of Futures Contracts which comprise a Rolling Future (the “**Current Futures**”) shall be re-balanced by the Index Sponsor acting on advice from the Index Calculation Agent. The re-balancing will be effected on the Futures Contract roll date, which will occur two trading days prior to the expiration date of the Current Futures. The re-balancing is intended to reflect a notional divestment of Current Futures and a simultaneous investment in new Futures Contracts (and/or fractions thereof) which are those Futures Contracts with the next scheduled expiry following the Current Futures.

The number of Futures Contracts to be included in the Rolling Future will be determined on the Futures Contract roll date by application of pre-determined rules. There is a possibility that the number of Futures Contracts to be included in the Rolling Future will remain the same after the re-balancing. Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code RBSEAXU1.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the Offer Period (if any) to the maturity date upon request at (i) the offices of the Index Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA and (ii) the office of any distributor. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities

Index Sponsor: The Royal Bank of Scotland plc

*Disclaimer:*

Although the Index Sponsor will obtain information for inclusion in or for use in the calculation of the Index from sources which the Index Sponsor considers reliable, the Index Sponsor will not independently verify

such information and does not guarantee the accuracy and/or the completeness of the Index or any data included therein. The Index Sponsor is under no obligation to advise any person of any error in the Index.

The Index Sponsor makes no express or implied representations or warranties concerning (i) whether or not the Index may achieve any particular level or meet or correlate with any particular objective or (ii) the fitness for any purpose of the Index.

The Index Sponsor accepts no legal liability to any person in connection with its publication and dissemination of the Index.

Nothing in this description will:

- (i) exclude or restrict any obligation the Index Sponsor may have to any recipient of this description, nor any liability the Index Sponsor may incur to any such recipient, under the Financial Services and Markets Act 2000, or the regulatory regime thereunder; or
- (ii) exclude or restrict, to an extent prohibited by law, any duty or liability the Index Sponsor may have to any recipient of this description.

The Royal Bank of Scotland plc owns intellectual property rights in the Index. Any use of any such intellectual property rights must be with the consent of The Royal Bank of Scotland plc.

References to the Euro STOXX 50 are included only to describe the components upon which the Index is based and not to indicate any association between The Royal Bank of Scotland plc and the sponsor of the Euro STOXX 50. The Index is not in any way sponsored, endorsed or promoted by the sponsor of the Euro STOXX 50.

## **RBS UK Top 100 Index (USD) ER (the “Index”)**

The Index is calculated and maintained by Future Value Consultants Limited (“FVC” or the “**Index Calculation Agent**” as the context requires) based on a methodology (the “**Index Rules**”) (which, for the avoidance of doubt, do not form part of this Index description) developed by The Royal Bank of Scotland plc (the “**Index Sponsor**”).

The Index aims to track a dynamic strategy (the “**Strategy**”) linked to a rolling investment in front-month futures contracts (the “**Rolling Future**”) which are FTSE 100 futures contracts, traded on LIF - LIFFE and denominated in GBP (the “**Futures Contracts**”).

The aim of the Strategy is to reflect the excess return performance of the Rolling Future as adjusted by the GBP/USD forward exchange rate (the “**Forward Exchange Rate**”).

On the Index base date, there will be one Futures Contract in the Rolling Future.

Following the Index base date, the actual number of Futures Contracts which comprise a Rolling Future (the “**Current Futures**”) shall be re-balanced by the Index Sponsor acting on advice from the Index Calculation Agent. The re-balancing will be effected on the Futures Contract roll date, which will occur two trading days prior to the expiration date of the Current Futures. The re-balancing is intended to reflect a notional divestment of Current Futures and a simultaneous investment in new Futures Contracts (and/or fractions thereof) which are those Futures Contracts with the next scheduled expiry following the Current Futures.

The number of Futures Contracts to be included in the Rolling Future will be determined on the Futures Contract roll date by application of pre-determined rules. There is a possibility that the number of Futures Contracts to be included in the Rolling Future will remain the same after the re-balancing. Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code RBSEAUU1.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the Offer Period (if any) to the maturity date upon request at (i) the offices of the Index Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA and (ii) the office of any distributor. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

Index Sponsor: The Royal Bank of Scotland plc

*Disclaimer:*

Although the Index Sponsor will obtain information for inclusion in or for use in the calculation of the Index from sources which the Index Sponsor considers reliable, the Index Sponsor will not independently verify such information and does not guarantee the accuracy and/or the completeness of the Index or any data included therein. The Index Sponsor is under no obligation to advise any person of any error in the Index.

The Index Sponsor makes no express or implied representations or warranties concerning (i) whether or not the Index may achieve any particular level or meet or correlate with any particular objective or (ii) the fitness for any purpose of the Index.

The Index Sponsor accepts no legal liability to any person in connection with its publication and dissemination of the Index.

Nothing in this description will:

- (i) exclude or restrict any obligation the Index Sponsor may have to any recipient of this description, nor any liability the Index Sponsor may incur to any such recipient, under the Financial Services and Markets Act 2000, or the regulatory regime thereunder; or
- (ii) exclude or restrict, to an extent prohibited by law, any duty or liability the Index Sponsor may have to any recipient of this description.

The Royal Bank of Scotland plc owns intellectual property rights in the Index. Any use of any such intellectual property rights must be with the consent of The Royal Bank of Scotland plc.

References to the FTSE 100 are included only to describe the components upon which the Index is based and not to indicate any association between The Royal Bank of Scotland plc and the sponsor of the FTSE 100. The Index is not in any way sponsored, endorsed or promoted by the sponsor of the FTSE 100.

## **RBS Japan Top 225 Index (USD) ER (the “Index”)**

The Index is calculated and maintained by Future Value Consultants Limited (“FVC” or the “**Index Calculation Agent**” as the context requires) based on a methodology (the “**Index Rules**”) (which, for the avoidance of doubt, do not form part of this Index description) developed by The Royal Bank of Scotland plc (the “**Index Sponsor**”).

The Index aims to track a dynamic strategy (the “**Strategy**”) linked to a rolling investment in front-month futures contracts (the Rolling Future) which are YEN Denominated NIKKEI 225 futures contracts, traded on CME – Chicago Mercantile Exchange and denominated in JPY (the Futures Contracts).

The aim of the Strategy is to reflect the excess return performance of the Rolling Future as adjusted by the JPY/USD forward exchange rate (the “**Forward Exchange Rate**”).

On the Index base date, there will be one Futures Contract in the Rolling Future.

Following the Index base date, the actual number of Futures Contracts which comprise a Rolling Future (the “**Current Futures**”) shall be re-balanced by the Index Sponsor acting on advice from the Index Calculation Agent. The re-balancing will be effected on the Futures Contract roll date, which will occur two trading days prior to the expiration date of the Current Futures. The re-balancing is intended to reflect a notional divestment of Current Futures and a simultaneous investment in new Futures Contracts (and/or fractions thereof) which are those Futures Contracts with the next scheduled expiry following the Current Futures.

The number of Futures Contracts to be included in the Rolling Future will be determined on the Futures Contract roll date by application of pre-determined rules. There is a possibility that the number of Futures Contracts to be included in the Rolling Future will remain the same after the re-balancing. Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code RBSEANU1.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the Offer Period (if any) to the maturity date upon request at (i) the offices of the Index Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA and (ii) the office of any distributor. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

Index Sponsor: The Royal Bank of Scotland plc

*Disclaimer:*

Although the Index Sponsor will obtain information for inclusion in or for use in the calculation of the Index from sources which the Index Sponsor considers reliable, the Index Sponsor will not independently verify such information and does not guarantee the accuracy and/or the completeness of the Index or any data included therein. The Index Sponsor is under no obligation to advise any person of any error in the Index.

The Index Sponsor makes no express or implied representations or warranties concerning (i) whether or not the Index may achieve any particular level or meet or correlate with any particular objective or (ii) the fitness for any purpose of the Index.

The Index Sponsor accepts no legal liability to any person in connection with its publication and dissemination of the Index.

Nothing in this description will:

- (i) exclude or restrict any obligation the Index Sponsor may have to any recipient of this description, nor any liability the Index Sponsor may incur to any such recipient, under the Financial Services and Markets Act 2000, or the regulatory regime thereunder; or
- (ii) exclude or restrict, to an extent prohibited by law, any duty or liability the Index Sponsor may have to any recipient of this description.

The Royal Bank of Scotland plc owns intellectual property rights in the Index. Any use of any such intellectual property rights must be with the consent of The Royal Bank of Scotland plc.

References to the NIKKEI 225 are included only to describe the components upon which the Index is based and not to indicate any association between The Royal Bank of Scotland plc and the sponsor of the NIKKEI 225. The Index is not in any way sponsored, endorsed or promoted by the sponsor of the NIKKEI 225.

## **RBS US Top 500 Index (USD) ER (the “Index”)**

The Index is calculated and maintained by Future Value Consultants Limited (“FVC” or the “**Index Calculation Agent**” as the context requires) based on a methodology (the “**Index Rules**”) (which, for the avoidance of doubt, do not form part of this Index description) developed by The Royal Bank of Scotland plc (the “**Index Sponsor**”).

The Index aims to track a dynamic strategy (the “**Strategy**”) linked to a rolling investment in front-month futures contracts (the “**Rolling Future**”) which are S&P 500 futures contracts, traded on CME - Chicago Mercantile Exchange and denominated in USD (the “**Futures Contracts**”).

The aim of the Strategy is to reflect the excess return performance of the Rolling Future.

On the Index base date, there will be one Futures Contract in the Rolling Future.

Following the Index base date, the actual number of Futures Contracts which comprise a Rolling Future (the “**Current Futures**”) shall be re-balanced by the Index Sponsor acting on advice from the Index Calculation Agent. The re-balancing will be effected on the Futures Contract roll date, which will occur two trading days prior to the expiration date of the Current Futures. The re-balancing is intended to reflect a notional divestment of Current Futures and a simultaneous investment in new Futures Contracts (and/or fractions thereof) which are those Futures Contracts with the next scheduled expiry following the Current Futures.

The number of Futures Contracts to be included in the Rolling Future will be determined on the Futures Contract roll date by application of pre-determined rules. There is a possibility that the number of Futures Contracts to be included in the Rolling Future will remain the same after the re-balancing. Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code RBSEASU1.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the Offer Period (if any) to the maturity date upon request at (i) the offices of the Index Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA and (ii) the office of any distributor. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

Index Sponsor: The Royal Bank of Scotland plc

### *Disclaimer:*

Although the Index Sponsor will obtain information for inclusion in or for use in the calculation of the Index from sources which the Index Sponsor considers reliable, the Index Sponsor will not independently verify

such information and does not guarantee the accuracy and/or the completeness of the Index or any data included therein. The Index Sponsor is under no obligation to advise any person of any error in the Index.

The Index Sponsor makes no express or implied representations or warranties concerning (i) whether or not the Index may achieve any particular level or meet or correlate with any particular objective or (ii) the fitness for any purpose of the Index.

The Index Sponsor accepts no legal liability to any person in connection with its publication and dissemination of the Index.

Nothing in this description will:

- (i) exclude or restrict any obligation the Index Sponsor may have to any recipient of this description, nor any liability the Index Sponsor may incur to any such recipient, under the Financial Services and Markets Act 2000, or the regulatory regime thereunder; or
- (ii) exclude or restrict, to an extent prohibited by law, any duty or liability the Index Sponsor may have to any recipient of this description.

The Royal Bank of Scotland plc owns intellectual property rights in the Index. Any use of any such intellectual property rights must be with the consent of The Royal Bank of Scotland plc.

References to the S&P 500 are included only to describe the components upon which the Index is based and not to indicate any association between The Royal Bank of Scotland plc and the sponsor of the S&P 500. The Index is not in any way sponsored, endorsed or promoted by the sponsor of the S&P 500.

### **RBS Sweden Top 30 Index (SEK) ER (the “Index”)**

The Index is calculated and maintained by Future Value Consultants Limited (“FVC” or the “**Index Calculation Agent**” as the context requires) based on a methodology (the “**Index Rules**”) (which, for the avoidance of doubt, do not form part of this Index description) developed by The Royal Bank of Scotland plc (the “**Index Sponsor**”).

The Index aims to track a dynamic strategy (the “**Strategy**”) linked to a rolling investment in front-month futures contracts (the “**Rolling Future**”) which are OMXS30 futures contracts, traded on SSE – Stockholm Stock Exchange and denominated in SEK (the “**Futures Contracts**”).

The aim of the Strategy is to reflect the excess return performance of the Rolling Future.

On the Index base date, there will be one Futures Contract in the Rolling Future.

Following the Index base date, the actual number of Futures Contracts which comprise a Rolling Future (the Current Futures) shall be re-balanced by the Index Sponsor acting on advice from the Index Calculation Agent. The re-balancing will be effected on the Futures Contract roll date, which will occur two trading days prior to the expiration date of the Current Futures. The re-balancing is intended to reflect a notional divestment of Current Futures and a simultaneous investment in new Futures Contracts (and/or fractions thereof) which are those Futures Contracts with the next scheduled expiry following the Current Futures.

The number of Futures Contracts to be included in the Rolling Future will be determined on the Futures Contract roll date by application of pre-determined rules. There is a possibility that the number of Futures Contracts to be included in the Rolling Future will remain the same after the re-balancing. Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code RBSEAOK1.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the Offer Period (if any) to the maturity date upon request at (i) the offices of the Index Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA and (ii) the office of any distributor. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

Index Sponsor: The Royal Bank of Scotland plc

#### *Disclaimer:*

Although the Index Sponsor will obtain information for inclusion in or for use in the calculation of the Index from sources which the Index Sponsor considers reliable, the Index Sponsor will not independently verify

such information and does not guarantee the accuracy and/or the completeness of the Index or any data included therein. The Index Sponsor is under no obligation to advise any person of any error in the Index.

The Index Sponsor makes no express or implied representations or warranties concerning (i) whether or not the Index may achieve any particular level or meet or correlate with any particular objective or (ii) the fitness for any purpose of the Index.

The Index Sponsor accepts no legal liability to any person in connection with its publication and dissemination of the Index.

Nothing in this description will:

- (i) exclude or restrict any obligation the Index Sponsor may have to any recipient of this description, nor any liability the Index Sponsor may incur to any such recipient, under the Financial Services and Markets Act 2000, or the regulatory regime thereunder; or
- (ii) exclude or restrict, to an extent prohibited by law, any duty or liability the Index Sponsor may have to any recipient of this description.

The Royal Bank of Scotland plc owns intellectual property rights in the Index. Any use of any such intellectual property rights must be with the consent of The Royal Bank of Scotland plc.

References to the OMXS30 are included only to describe the components upon which the Index is based and not to indicate any association between The Royal Bank of Scotland plc and the sponsor of the OMXS30. The Index is not in any way sponsored, endorsed or promoted by the sponsor of the OMXS30.

## **RBS VC Symbiosis II Index (USD) ER 11% (the “Index”)**

The Index is calculated and maintained by Future Value Consultants Limited (“FVC” or the “**Index Calculation Agent**” as the context requires) based on a methodology (the “**Index Rules**”) (which, for the avoidance of doubt, do not form part of this Index description) developed by The Royal Bank of Scotland plc (the “**Index Sponsor**”).

The Index synthetically invests in the RBS Symbiosis II Index (USD) ER (the “**Underlying Index**”) using a dynamic participation mechanism calculated daily by the Index Calculation Agent. The Underlying Index is a strategy linked to the performance of a basket of assets that together provide a rule-based weighted exposure to different financial markets including commodities, FX and equities.

The purpose of the dynamic participation is to dynamically adjust exposure to the Underlying Index based on the Realised Volatility of the Underlying Index.

“**Realised Volatility**” herein is specifically a measure of how much the daily returns of the Underlying Index have fluctuated around their average in the past over a defined time period. The time period is taken to be twenty (20) days and the average is assumed to be zero.

Exposure to the Underlying Index is reduced if the Realised Volatility of the Underlying Index increases to certain levels. Conversely, exposure to the Underlying Index is increased if the Realised Volatility of the Underlying Index decreases to certain levels.

The dynamic participation provides for the Index to have exposure to the Underlying Index within a range from a minimum of 0% to a maximum of 183.33%. The dynamic participation is a function of the effective Realised Volatility. To determine the effective Realised Volatility in respect of a specific strategy calculation date, the maximum Realised Volatility level is measured by observing the Realised Volatility on that specific strategy calculation date and the previous 4 strategy calculation dates (each an “**Observation Date**”). The Realised Volatility attributable to an Observation Date is determined by using the 21 historical closing levels of the Underlying Index up to and including the closing level observed two strategy calculation dates immediately preceding such Observation Date, as displayed on Bloomberg page RBSDRYU2 Index.

The dynamic participation is thus determined according to the range that the effective Realised Volatility falls within. The ranges of effective Realised Volatility and the corresponding dynamic participation values are described in the methodology for the Index.

The final Index level is calculated daily and reflects the increase or decrease in exposure to the Underlying Index by applying the dynamic participation, irrespective of whether the performance of the Underlying Index is negative or positive. Trading costs and synthetic dividends are also reflected in the final Index level. Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code RBSDSYU2.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the Offer Period (if any) to the maturity date upon request at (i) the offices of the Index Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA and (ii) the office of any distributor. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

Index Sponsor: The Royal Bank of Scotland plc

Disclaimer:

Although the Index Sponsor will obtain information for inclusion in or for use in the calculation of the Index from sources which the Index Sponsor considers reliable, the Index Sponsor will not independently verify such information and does not guarantee the accuracy and/or the completeness of the Index or any data included therein. The Index Sponsor is under no obligation to advise any person of any error in the Index.

The Index Sponsor makes no express or implied representations or warranties concerning (i) whether or not the Index may achieve any particular level or meet or correlate with any particular objective or (ii) the fitness for any purpose of the Index.

The Index Sponsor accepts no legal liability to any person in connection with its publication and dissemination of the Strategy.

Nothing in this description will:

- (i) exclude or restrict any obligation the Index Sponsor may have to any recipient of this description, nor any liability the Index Sponsor may incur to any such recipient, under the Financial Services and Markets Act 2000, or the regulatory regime thereunder; or
- (ii) exclude or restrict, to an extent prohibited by law, any duty or liability the Index Sponsor may have to any recipient of this description.

The Royal Bank of Scotland plc owns intellectual property rights in the Index. Any use of any such intellectual property rights must be with the consent of The Royal Bank of Scotland plc.

## **RBS Symbiosis II Index (USD) ER (the “Index”)**

The Index is calculated and maintained by Future Value Consultants Limited (“FVC” or the “**Index Calculation Agent**” as the context requires) based on a methodology (the “**Index Rules**”) (which, for the avoidance of doubt, do not form part of this Index description) developed by The Royal Bank of Scotland plc (the “**Index Sponsor**”).

The Index aims to track a dynamic long-short multi-asset strategy (the “**Strategy**”) developed by Index Sponsor. The Strategy sets specific weights and exposures to the Assets (as defined below) depending on the technical indicator for each Asset developed by the Index Sponsor (the Indicator). The Indicator measures each Asset’s risk-adjusted momentum based on the Asset’s closing prices over the previous 121 Index Calculation Dates (the “**Observation Period**”).

The Strategy ranks the Indicators against one another from greatest to least. Each Asset is then given a specific weight depending on its Indicator’s rank with respect to the other Asset Indicators. The Asset with the greatest Indicator is assigned a weight of 50%, the second greatest is assigned a weight of 35%, the third greatest is assigned a weight of 10% and finally the lowest is assigned a weight of 5%. Where the same Indicator is calculated for one or more Assets, those Assets shall be ranked by two alternative methods. If either of the alternative ranking methods should fail to distinguish between the Assets, then the weights attributable to the Assets shall be added and divided equally across each of the Assets in question.

The exposure of the Strategy to each Asset is set depending whether the Indicator is positive or negative. If the Indicator is positive, it signifies that the Asset is in a positive trend and the Strategy’s exposure to the Asset will be long. If the Indicator is negative it signifies that the Asset is in a negative trend and the Strategy’s exposure to the Asset will be short.

The Strategy invests in the following Assets: the CYD Market Neutral Plus 5 Excess Return Index, the Excess Return ABZMCSY Asset, the RICI® Enhanced<sup>SM</sup> Index ER, and the World Excess Return Asset (each an “**Asset**” and together the “**Assets**”). The Assets represent exposure to the following markets and financial areas: a market neutral strategy (in respect of the CYD Market Neutral Plus 5 Excess Return Index), FX (in respect of the Excess Return ABZMCSY Asset), the commodity markets (in respect of the RICI® Enhanced<sup>SM</sup> Index ER) and the world equity market (in respect of the World Excess Return Asset).

The selection of the weights and the exposures of each Asset is determined at the end of each month on the selection date and maintained until the next selection date. Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code RBSDRYU2.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the Offer Period (if any) to the maturity date upon request at (i) the offices of the Index Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA and (ii) the office of any distributor. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order

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Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

#### Risk Factor

The Index has either “long” or “short” exposure to each Asset. Each month, directional risk is dependent on the exposure to each Asset set by its Indicator. If the Indicator of an Asset is positive at the start of a certain month due to the historical performance of that Asset, (i.e. the relevant Indicator deems the Asset is in a positive trend), the exposure of the Index to that Asset is long for that month. If the Asset depreciates in value during that month, the Index will also depreciate in value. If the Indicator of an Asset is negative at the start of a certain month due to the historical performance of that Asset (i.e. the Indicator deems the Asset is in a negative trend), the exposure of the Index to that Asset is short for that month. If the Asset appreciates in value during that month, the Index will depreciate in value.

Index Sponsor: The Royal Bank of Scotland plc

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## **RBS VC Commodity Twister Index (SEK) ER 18% (the “Index”)**

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The Index’s objective is to track a risk-stabilised, dynamic long-short algorithm which is linked to the RICI® Enhanced<sup>SM</sup> Index ER (the “**ER Asset**”). The most current version of the ER Asset Rules is available from the Index Sponsor upon request.

The dynamic long-short algorithm means an algorithm that can have either a notionally long or short position in the ER Asset at a particular point in time, but not both simultaneously. If the algorithm has a long position, the level of the Index will increase if the ER Asset rises and decrease if the ER Asset falls. If the algorithm has a short position, the level of the Index will increase if the ER Asset falls and decrease if the ER Asset rises.

On each monthly trend observation date, the algorithm compares the level of the ER Asset at the valuation time (the “**ER Closing Price**”) to its average price over the preceding six months (the “**Moving Average Six**”) to determine market trend.

If the ER Closing Price on such trend observation date is greater than, or equal to, the Moving Average Six, then the market trend is deemed to be positive and the Index shall have a positive economic exposure to the ER Asset for the subsequent month. If the ER Closing Price on a trend observation date is lower than the Moving Average Six, then the market trend is deemed to be negative and the Index shall have a negative economic exposure to the ER Asset for the subsequent month.

The Index then applies Quampo<sup>TM</sup> technology and finally an overall dynamic participation mechanism. Quampo<sup>TM</sup> is a new dynamic technology created by the Index Sponsor for dealing with currency risk exposures. Quampo<sup>TM</sup> implements an algorithm that converts an underlying asset’s original currency to another desired currency. As a result of applying the algorithm only the change in value of an underlying asset is exposed to currency risk instead of the full notional value as would be the case otherwise. For the purposes of the Index, the Quampo<sup>TM</sup> technology changes the currency denomination from U.S. dollars to Swedish kronor of the monthly gains or losses realised by the exposure to the base strategy.

The dynamic participation adjusts on a daily basis in order to stabilise the volatility of the Index. The dynamic participation will vary between 0.00% and 200% and shall be dependent on the realised volatility of the currency converted underlying strategy. If the level of the realised volatility increases above a certain level, the dynamic participation in the currency converted underlying strategy will be decreased and if the realised volatility decreases below a certain level, the dynamic participation in the currency converted underlying strategy will be increased. As such, the Index aims to realise a target volatility of less than 18%

annualised. Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code RBSDTTK1.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the Offer Period (if any) to the maturity date upon request at (i) the offices of the Index Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA and (ii) the office of any distributor. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

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### **RBS VC Symbiosis III Index (SEK) ER 11.5% (the “Index”)**

The Index is calculated and maintained by Future Value Consultants Limited (FVC or the Index Calculation **Agent** as the context requires) based on a methodology (the “**Index Rules**”) (which, for the avoidance of doubt, do not form part of this Index description) developed by The Royal Bank of Scotland plc (the “**Index Sponsor**”).

The Index aims to track a dynamic long-short multi-asset strategy developed by the Index Sponsor. The Index sets specific weights and exposures to the Assets (as defined below) depending on the technical indicator for each Asset (the “**Indicator**”). The Indicator measures each Asset’s risk-adjusted momentum based on the Asset’s closing values over the previous 121 strategy calculation dates (the “**Observation Period**”).

The Index ranks the Indicators against one another from greatest to least. Each Asset is then given a specific weight depending on its Indicator’s rank with respect to the other Asset Indicators. The Asset with the greatest Indicator is assigned a weight of 50%, the second greatest is assigned a weight of 30%, the third greatest is assigned a weight of 20% and the lowest is assigned a weight of 0%.

The Index makes a notional investment in the assets listed below:

- The CYD Market Neutral Plus 5 Excess Return Index;
- The Alpha Centurion European Index (USD);
- The RICI® EnhancedSM Index ER; and
- The World Excess Return Asset,

(each an “**Asset**”, and together, the “**Assets**”).

The exposure of the Index to the first and second Assets in the list above is set depending whether the Indicator relative to each of those Assets is positive or negative. If the Indicator is positive, the Asset will be deemed to be in a positive trend and the Index’s exposure to the Asset will be long. If the Indicator is negative, the Asset will be deemed to not be in a positive trend and the Index’s exposure to the Asset will be zero.

The exposure of the Index to the third and fourth Assets in the list above is set depending whether the Indicator relative to each of those Assets is positive or negative. If the Indicator is positive, the Asset will be deemed to be in a positive trend and the Index’s exposure to the Asset will be long. If the Indicator is negative, the Asset will be deemed to be in a negative trend and the Index’s exposure to the Asset will be short.

The Assets represent exposure to the following markets and financial areas: a commodity market neutral strategy (in respect of the CYD Market Neutral Plus 5 Excess Return Index), an equity market neutral

strategy (in respect of the Alpha Centurion European Index USD), the commodity markets (in respect of the RICI<sup>®</sup> Enhanced<sup>SM</sup> Index ER) and the world equity market (in respect of the World Excess Return Asset).

The selection of the weights and the exposures of each Asset is determined at the end of each month on the selection date.

The Index then applies Quampo<sup>™</sup> technology and finally an overall dynamic participation mechanism. Quampo<sup>™</sup> is a new dynamic technology created by the Index Sponsor for dealing with currency risk exposures. Quampo<sup>™</sup> implements an algorithm that converts an underlying asset's original currency to another desired currency. As a result of applying the algorithm only the change in value of an underlying asset is exposed to currency risk instead of the full notional value as would be the case otherwise. For the purposes of the Index, the Quampo<sup>™</sup> technology changes the currency denomination from U.S. dollars to Swedish kronor of the monthly gains or losses realised by the exposure to the base strategy.

The dynamic participation adjusts on a daily basis in order to stabilise the volatility of the Index. The dynamic participation will vary between 0.00% and 176.92% and shall be dependent on the realised volatility of the currency converted underlying strategy. If the level of the realised volatility increases above a certain level, the dynamic participation in the currency converted underlying strategy will be decreased and if the realised volatility decreases below a certain level, the dynamic participation in the currency converted underlying strategy will be increased. As such, the Index aims to realise a target volatility of less than 12.5% annualised. Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code RBSDSYK3.

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Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

#### Risk Factor

The Index has either "long" or "short" exposure to each Asset. Each month, directional risk is dependent on the exposure to each Asset set by its Indicator. If the Indicator of an Asset is positive at the start of a certain month due to the historical performance of that Asset, (i.e. the relevant Indicator deems the Asset is in a positive trend), the exposure of the Index to that Asset is long for that month. If the Asset depreciates in value during that month, the Index will also depreciate in value. If the Indicator of an Asset is negative at the start of a certain month due to the historical performance of that Asset (i.e. the Indicator deems the Asset is

in a negative trend), the exposure of the Index to that Asset is short for that month. If the Asset appreciates in value during that month, the Index will depreciate in value.

The Index only allows for “long” exposure to the Alpha Centurion European Index Asset and the CYD Market Neutral Plus Five Index Asset. Therefore, an investor in a product linked to the Index will not benefit from any short exposure to the Alpha Centurion European Index Asset and the CYD Market Neutral Plus Five Index Asset if the Indicator for those Assets is negative. If the Indicator for the Alpha Centurion European Index Asset or the CYD Market Neutral Plus Five Index Asset is negative, the Index’s exposure to those Assets is zero.

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### **RBS VC Swedish Twister Index (SEK) ER 17% (the “Index”).**

The Index is calculated by The Royal Bank of Scotland N.V. (formerly ABN Amro Bank N.V.), acting through its London Branch, or its successor (the “**Index Calculation Agent**”) based on a methodology (the “**Index Rules**”) (which, for the avoidance of doubt, do not form part of this Index description) developed by The Royal Bank of Scotland plc (the “**Index Sponsor**”).

The Index’s objective is to track a risk-stabilised, dynamic long-short algorithm which is linked to the Excess Return Sweden 30 Strategy (the “**ER Asset**”). The most current version of the ER Asset Rules is available from the Strategy Sponsor upon request.

The dynamic long-short algorithm means an algorithm that can have either a notionally long or short position in the ER Asset at a particular point in time, but not both simultaneously. If the algorithm has a long position, the level of the Index will increase if the ER Asset rises and decrease if the ER Asset falls. If the algorithm has a short position, the level of the Index will increase if the ER Asset falls and decrease if the ER Asset rises.

On each monthly trend observation date, the algorithm compares the level of the ER Asset at the valuation time (the “**ER Closing Price**”) to its average price over the preceding nine months (the “**Moving Average Nine**”) to determine market trend, and the Moving Average Nine to the preceding three months (the “**Moving Average Three**”) to determine the strength of the market trend.

If the ER Closing Price on such trend observation date is greater than, or equal to, the Moving Average Nine, then the market trend is deemed to be positive and the Index shall have a positive economic exposure to the ER Asset for the subsequent month. If the ER Closing Price on a trend observation date is lower than the Moving Average Nine, then the market trend is deemed to be negative and the Index shall have a negative economic exposure to the ER Asset for the subsequent month.

If the market trend is positive and the Moving Average Three is greater than, or equal to, the Moving Average Nine, then the long-exposure of the Index to the ER Asset will be 100%. In all other cases (i.e., the Moving Average Three is less than the Moving Average Nine), the long-exposure will be 50%. If the market trend is negative and the Moving Average Three is less than the Moving Average Nine, then the short-exposure of the Index to the ER Asset will be 100%. In all other cases (i.e., the Moving Average Three is more than the Moving Average Nine), the short-exposure will be 50%.

The Index invests in the algorithm using a dynamic participation that is adjusted on a daily basis in order to stabilise the volatility of the Index. The dynamic participation will vary between 0% and 200.00% and shall be dependent on the realised volatility of the ER Asset. If the level of the realised volatility increases above a certain level, the dynamic participation in the ER Asset will be decreased and if the realised volatility decreases below a certain level, the dynamic participation in the ER Asset will be increased. As such, the Index aims to realise a target volatility of less than 17% annualised. Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code RBSDTOK1.

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The Index Sponsor makes no express or implied representations or warranties concerning (i) whether or not the Index may achieve any particular level or meet or correlate with any particular objective or (ii) the fitness for any purpose of the Index.

The Index Sponsor accepts no legal liability to any person in connection with its publication and dissemination of the Index.

Nothing in this description will:

- (i) exclude or restrict any obligation the Index Sponsor may have to any recipient of this description, nor any liability the Index Sponsor may incur to any such recipient, under the Financial Services and Markets Act 2000, or the regulatory regime thereunder; or
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The Royal Bank of Scotland plc owns intellectual property rights in the Index. Any use of any such intellectual property rights must be with the consent of The Royal Bank of Scotland plc.

References to the Assets are included only to describe the components upon which the Index is based and not to indicate any association between The Royal Bank of Scotland plc and the sponsors of the Assets. The Index is not in any way sponsored, endorsed or promoted by the sponsors of the Assets.

**RBS Sweden 30 Index (SEK) ER (the “Index”) or (the “ER Asset”)**

The ER Asset is calculated by The Royal Bank of Scotland N.V. (formerly ABN Amro Bank N.V.), acting through its London Branch, or its successor (the “**Asset Calculation Agent**”) based on a methodology (the “**Index Rules**”) (which, for the avoidance of doubt, do not form part of this Index description) developed by The Royal Bank of Scotland plc (the “**Asset Sponsor**”).

The ER Asset aims to track a dynamic algorithm linked to a rolling investment in front-month futures contracts (the “**Rolling Future**”) which are (a) NASDAQ OMXS30 Index Futures Contracts; (b) traded on the OMX Nordic Exchange and (c) denominated in SEK (each, a “**Futures Contract**” together, the “**Futures Contracts**”).

The expiration date of each Futures Contract (the “**Futures Expiration Date**”) is indicated on the relevant Bloomberg page for each Futures Contract, and may also be made available through the website of the OMX Nordic Exchange (<http://nordic.nasdaqomxtrader.com/trading/>) (together, the “**Price Source**”). Two business days prior to any Futures Expiration Date (the “**Futures Contract Roll Date**”), the ER Asset will combine two elements: a notional divestment of Futures Contracts due to expire on such Futures Expiration Date and a simultaneous notional investment in Futures Contracts which are due to expire on the next following Futures Expiration Date.

The number of Futures Contracts which comprise the Rolling Future shall be rebalanced on each Futures Contract Roll Date by the Asset Sponsor acting in consultation with the Asset Calculation Agent (a “**Rebalancing**”). It is possible that the number of Futures Contracts to be included in the Rolling Future will remain the same after any Rebalancing. On any date on which the level of the ER Asset is calculated, the ER Asset is intended to reflect the price return performance of the Rolling Future.

In the event that the Asset Sponsor determines that, due to a disruption event, there will be less than two business days between a Futures Contract Roll Date and a Futures Expiration Date, the Asset Sponsor shall, in its sole and absolute discretion, select an alternative date to be a Futures Contract Roll Date and shall determine the value of the Futures Contracts in its sole and absolute discretion for the purposes of any Rebalancing.

If the Asset Sponsor determines in its sole and absolute discretion that any hedging activity will distort the performance of the ER Asset, the Asset Sponsor shall modify the Index Rules to ensure that the ER Asset continues to meet its investment objective. Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code RBSEK1.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the Offer Period (if any) to the maturity date upon request at (i) the offices of the Asset Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA and (ii) the office of any distributor. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

Asset Sponsor: The Royal Bank of Scotland plc

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Although the Asset Sponsor will obtain information for inclusion in or for use in the calculation of the Index from sources which the Asset Sponsor considers reliable, the Asset Sponsor will not independently verify such information and does not guarantee the accuracy and/or the completeness of the Index or any data included therein. The Asset Sponsor is under no obligation to advise any person of any error in the Index.

The Asset Sponsor makes no express or implied representations or warranties concerning (i) whether or not the Index may achieve any particular level or meet or correlate with any particular objective or (ii) the fitness for any purpose of the Index.

The Asset Sponsor accepts no legal liability to any person in connection with its publication and dissemination of the Index.

Nothing in this description will:

- (i) exclude or restrict any obligation the Asset Sponsor may have to any recipient of this description, nor any liability the Asset Sponsor may incur to any such recipient, under the Financial Services and Markets Act 2000, or the regulatory regime thereunder; or
- (ii) exclude or restrict, to an extent prohibited by law, any duty or liability the Asset Sponsor may have to any recipient of this description.

The Royal Bank of Scotland plc owns intellectual property rights in the Index. Any use of any such intellectual property rights must be with the consent of The Royal Bank of Scotland plc.

References to the NASDAQ OMXS30 are included only to describe the components upon which the Index is based and not to include any association between The Royal Bank of Scotland plc and the sponsor of the NASDAQ OMXS30. The Index is not in any way sponsored, endorsed or promoted by the sponsor of the NASDAQ OMXS30.

## **RBS UK Navigator Index (GBP) ER 12% (the “Index”)**

The Index is calculated by The Royal Bank of Scotland N.V. (formerly ABN AMRO Bank N.V.), acting through its London Branch, or its successor (the “**Index Calculation Agent**”) based on a methodology (the “**Index Rules**”) (which, for the avoidance of doubt, do not form part of this Index description) developed by The Royal Bank of Scotland plc (the “**Index Sponsor**”).

The Index objective is to track a risk-stabilised, dynamic long-short algorithm which is linked to the Excess Return UK 100 Strategy (the “**ER Asset**”). The most current version of the ER Asset rules is available from the Index Sponsor upon request.

The dynamic long-short algorithm means an algorithm that can have either a notionally long or short position in the ER Asset at a particular point in time, but not both simultaneously. If the algorithm has a long position, the level of the Index will increase if the ER Asset rises in value and decrease if the ER Asset falls in value. If the algorithm has a short position, the level of the Index will increase if the ER Asset falls and decrease if the ER Asset rises.

On each monthly trend observation date, the algorithm compares the level of the ER Asset at the valuation time (“**ER Closing Price**”) to its monthly average price over the preceding 12 months (the “**Moving Average Twelve**”) to determine market trend, and the Moving Average Twelve to the monthly average price over the preceding 3 months (the “**Moving Average Three**”) to determine the strength of the market trend.

If the ER Closing Price on such trend observation date is greater than, or equal to, the Moving Average Twelve, then the market trend is deemed to be positive and the Index shall have a positive economic exposure to the ER Asset for the subsequent month. If the ER Closing Price on a trend observation date is lower than the Moving Average Twelve, then the market trend is deemed to be negative and the Index shall have a negative economic exposure to the ER Asset for the subsequent month.

If the market trend is positive and the Moving Average Three is greater than, or equal to, the Moving Average Twelve, then the long-exposure of the Index to the ER Asset will be 125%. In all other cases (i.e., the Moving Average Three is less than the Moving Average Twelve), the long-exposure will be 75%. If the market trend is negative and the Moving Average Three is less than the Moving Average Twelve, then the short-exposure of the Index to the ER Asset will be 125%. In all other cases (i.e., the Moving Average Three is more than the Moving Average Twelve), the short-exposure will be 75%.

The Index invests in the algorithm using a dynamic participation that is adjusted on a daily basis in order to stabilise the volatility of the Index. The dynamic participation will vary between 0% and 100% and shall be dependent on the realised volatility of the ER Asset. If the level of the realised volatility increases above a certain level, the dynamic participation in the ER Asset will be decreased and if the realised volatility decreases below a certain level, the dynamic participation in the ER Asset will be increased. As such, the Index aims to realise a target volatility of less than 12% annualised. Information about the past and the future performance of the Index and its volatility can be obtained on Bloomberg page RBSDTUG1 Index.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the Offer Period (if any) to the maturity date upon request at (i) the offices of the Index Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA and (ii) the office of any distributor. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

Index Sponsor: The Royal Bank of Scotland plc

*Disclaimer:*

Although the Index Sponsor will obtain information for inclusion in or for use in the calculation of the Index from sources which the Index Sponsor considers reliable, the Index Sponsor will not independently verify such information and does not guarantee the accuracy and/or the completeness of the Index or any data included therein. The Index Sponsor is under no obligation to advise any person of any error in the Index.

The Index Sponsor makes no express or implied representations or warranties concerning (i) whether or not the Index may achieve any particular level or meet or correlate with any particular objective or (ii) the fitness for any purpose of the Index.

The Index Sponsor accepts no legal liability to any person in connection with its publication and dissemination of the Index.

Nothing in this description will:

- (i) exclude or restrict any obligation the Index Sponsor may have to any recipient of this description, nor any liability the Index Sponsor may incur to any such recipient, under the Financial Services and Markets Act 2000, or the regulatory regime thereunder; or
- (ii) exclude or restrict, to an extent prohibited by law, any duty or liability the Index Sponsor may have to any recipient of this description.

The Royal Bank of Scotland plc owns intellectual property rights in the Index. Any use of any such intellectual property rights must be with the consent of The Royal Bank of Scotland plc.

## **RBS UK Autopilot Index (GBP) PR (the “Index”)**

The Index is calculated by The Royal Bank of Scotland N.V. (formerly ABN AMRO Bank N.V.), acting through its London Branch, or its successor (the “**Index Calculation Agent**”) based on a methodology (the “**Index Rules**”) (which, for the avoidance of doubt, do not form part of this Index description) developed by The Royal Bank of Scotland plc (the “**Index Sponsor**”).

The Index aims to track the return of a notional strategy that allocates between the following five constituents which may be comprised of one or more underlyings:

- (a) An equally-weighted basket of the FTSE 100 Index, S&P 500 Index, Nikkei 225 Stock Average and the EUROSTOXX 50 (Price) Index (“**Constituent 1**”);
- (b) iShares MSCI Emerging Market Index Fund (“**Constituent 2**”);
- (c) DJ AIG Commodity Excess Return Index (“**Constituent 3**”);
- (d) FTSE EPRA/NAREIT Europe Index (“**Constituent 4**”);

and the UK Retail Prices Index which is entitled “All Items NSA Inflation Index” (the “**Inflation Index**” or “**Constituent 5**”) and Constituents 1, 2, 3, 4 and 5 shall be collectively referred to as the “**Constituents**”).

On or around the first calendar day of each month (“**Rebalancing Date**”) the Index Calculation Agent will rebalance the weight allocated to a Constituent and such weight will be effective following the Rebalancing Date. The weight to be allocated to each Constituent will be determined with reference to the value of each Constituent 1, 2, 3 and 4 taken on the first calculation date immediately preceding each Rebalancing Date (“**Determination Date**”).

On each Determination Date, the value of Constituents 1, 2, 3 and 4 will each be compared to its respective monthly average value over the preceding 12 months (“**Moving Average**”). If the relevant value of Constituent 1, 2, 3 and 4 is greater than its respective Moving Average, the Index Calculation Agent will allocate a weight of 25% of the notional value of the Index to such Constituent from the day immediately following the Rebalance Date up to and including the immediately following Rebalancing Date. Otherwise, the Index Calculation Agent shall allocate a weight of 25% of the notional value of the Index to the Inflation Index. Hence, each of Constituent 1, 2, 3 and 4 can have a weight of either 0% or 25% and Constituent 5 can have a weight of either 0%, 25%, 50%, 75% or 100%. In total, the weights shall sum to 100%.

In any monthly performance period which will commence on the day immediately following a Rebalancing Date and end on the following Rebalancing Date (“**Monthly Performance Period**”), the monthly return of each Constituent shall be determined by the Index Calculation Agent from the start of the Monthly Performance Period until the end of the Monthly Performance Period. With respect to Constituents 1, 2, 3 and 4 the monthly return will be capped at 7.00% and with respect to the Inflation Index, the monthly return shall be fixed at one-twelfth of the annual return of Inflation Index. Information about the past and the future performance of the Index and its volatility can be obtained on Bloomberg page RBSDAPG1 Index.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the Offer Period (if any) to the maturity date at upon request (i) the offices of the Index Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA and (ii) the office of any distributor. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

Index Sponsor: The Royal Bank of Scotland plc

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The Index Sponsor makes no express or implied representations or warranties concerning (i) whether or not the Index may achieve any particular level or meet or correlate with any particular objective or (ii) the fitness for any purpose of the Index.

The Index Sponsor accepts no legal liability to any person in connection with its publication and dissemination of the Index.

Nothing in this description will:

- (i) exclude or restrict any obligation the Index Sponsor may have to any recipient of this description, nor any liability the Index Sponsor may incur to any such recipient, under the Financial Services and Markets Act 2000, or the regulatory regime thereunder; or
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The Royal Bank of Scotland plc owns intellectual property rights in the Index. Any use of any such intellectual property rights must be with the consent of The Royal Bank of Scotland plc.

### **RBS VC Denmark Top 20 Index (DKK) PR 15% (the “Index”)**

The Index is calculated and maintained by Future Value Consultants Limited, based on a methodology (the “**Index Rules**”) (which, for the avoidance of doubt, do not form part of this Index description) developed by The Royal Bank of Scotland plc (the “**Index Sponsor**”).

The Index’s objective is to track the performance of a market capitalisation-weighted basket of up to 20 securities (the “**Underlying Strategy**”), after application of a performance reduction factor and a daily dynamic risk adjustment mechanism. The purpose of the Underlying Strategy is to provide exposure to the Danish stock market. The Underlying Strategy is composed of a maximum of 20 of the companies represented in the OMX Copenhagen Top 20 Index, subject to certain selection criteria and is rebalanced annually.

On each relevant calculation date, a performance reduction factor is applied to the Underlying Strategy to give a reference Underlying Strategy (the “**Reference Underlying Strategy**”), after which exposure to the Reference Underlying Strategy is adjusted dynamically based on the volatility of the Reference Underlying Strategy. Exposure to the Reference Underlying Strategy is reduced if the volatility of the Reference Underlying Strategy increases above a certain level. Conversely, exposure to the Reference Underlying Strategy is increased if the volatility of the Reference Underlying Strategy decreases below a certain level, subject to a maximum exposure of 150 per cent. in the Underlying Strategy, for a given investment amount. The Index performance is intended to be achieved without distorting market prices through hedging activity.

The Underlying Strategy will cease to be calculated if there are less than 13 component securities. The Index is subject to a performance reduction factor which reduces the actual level of performance of the Index from what it would be if the performance reduction factor did not exist. The performance reduction factor is set at pro-rata daily basis of 2.5% per annum. Information about the past and the future performance of the Strategy and its volatility can be obtained from Bloomberg code RBSBIKD1.

A copy of the Index Rules will be available for review from the beginning of the Offer Period (if any) to the maturity date upon request at (i) the offices of the Strategy Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA and (ii) the office of any distributor. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

Index Sponsor: The Royal Bank of Scotland plc

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The Index Sponsor accepts no legal liability to any person in connection with its publication and dissemination of the Index.

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The Royal Bank of Scotland plc owns intellectual property rights in the Index. Any use of any such intellectual property rights must be with the consent of The Royal Bank of Scotland plc.

References to the OMX Copenhagen Top 20 Index are included only to describe the components upon which the Underlying Strategy is based and not to include any association between The Royal Bank of Scotland plc and the sponsor of the OMX Copenhagen Top 20 Index. The Index is not in any way sponsored, endorsed or promoted by the sponsor of the OMX Copenhagen Top 20 Index.

### **RBS VC Alpha Beta Centurion European Index (SEK) ER 16% (the “Index”)**

The Index is calculated and maintained by Standard & Poor’s, a division of The McGraw-Hill Companies, Inc., based on a methodology (the “**Index Rules**”) (which, for the avoidance of doubt, do not form part of this Index description) developed by The Royal Bank of Scotland plc (the “**Index Sponsor**”).

The Index’s objective is to track the performance of an equity market neutral and momentum strategy (the “**Underlying Strategy**”), and produce absolute returns based upon price signals determined from the S&P Europe 350 Index.

Each week, the Underlying Strategy measures the momentum (that is, the positive or negative trend) of the S&P Europe 350 Index. The indicator measuring momentum not only looks at the trend in the S&P Europe 350 Index, but also the relative strength of that trend as compared to previous performance. The indicator also takes into consideration the effects of volatility on momentum. That is, the Underlying Strategy discounts momentum strength as result of high volatility in an effort to try to calculate momentum strength based on more stable markets. Depending on this momentum the Underlying Strategy will gain a:

- (a) Long exposure to the 20 stocks with the worst past weekly performance (the Long Basket) if the momentum is strongly positive; or
- (b) Short exposure to the 20 stocks with the best past weekly performance (the Short Basket) if the momentum is strongly negative; or
- (c) A combination of both exposures above if neither a) nor b) occurs.

The Underlying Strategy will be calculated as the long exposure (either 100%, 50% or 0% depending on the indicator) to the Long Basket less 1 week STIBOR, plus the short exposure (either 100%, 50% or 0% depending on the indicator) to Short Basket plus 1 week STIBOR, less the relevant trading costs.

Any dividends notionally received from the Long Basket or notionally due on the Short Basket will be reinvested. Each basket of 20 stocks (whether the exposure is long, short or a combination of both) will be held for approximately one week before new baskets are selected. Gains made each week on the baskets are re-invested into the Index. Conversely, losses made each week on the baskets are reflected in the Index.

The stocks chosen for inclusion in the basket of 20 stocks (whether the exposure is long, short or a combination of both) are taken weekly from a list of the 100 largest European companies which fall within certain eligibility criteria. An eligible security must, among other things: have a free-float market capitalization requirement of at least £1,000,000,000 or its equivalent in a currency other than Sterling; have a daily traded value of at least £5,000,000 or its equivalent in a currency other than Sterling; not be a closed-end fund, exchange-traded fund (ETF), investment vehicle, royalty trust or REIT; and have a primary listing on an exchange in an eligible jurisdiction.

In addition, the Index implements a daily dynamic risk adjustment mechanism in order to stabilise the volatility of the Index. On each relevant calculation date, exposure to the Underlying Strategy will vary

between 0% and 145% based on the volatility of the Underlying Strategy. Exposure to the Underlying Strategy is reduced if the volatility of the Underlying Strategy increases to a certain level. Conversely, exposure to the Underlying Strategy is increased if volatility of the Underlying Strategy decreases to a certain level, subject to a maximum exposure of 145 per cent. in each of the Long Basket and the Short Basket, for a given investment amount. The Index is intended to be achieved without distorting market prices by hedging activity.

The Index is calculated daily at the close of business, London time on each calculation date.

If the Index Sponsor determines in its sole and absolute discretion that any hedging activity will distort the performance of the Index, the Index Sponsor shall modify the Index Rules to ensure that the Index continues to meet its investment objective. Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code RBSDHEK1.

A copy of the Index Rules will be available for review from the beginning of the Offer Period (if any) to the maturity date upon request at (i) the offices of the Index Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA and (ii) the office of any distributor. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

Index Sponsor: The Royal Bank of Scotland plc

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The Index Sponsor makes no express or implied representations or warranties concerning (i) whether or not the Index may achieve any particular level or meet or correlate with any particular objective or (ii) the fitness for any purpose of the Index.

The Index Sponsor accepts no legal liability to any person in connection with its publication and dissemination of the Index.

Nothing in this description will:

- (i) exclude or restrict any obligation the Index Sponsor may have to any recipient of this description, nor any liability the Index Sponsor may incur to any such recipient, under the Financial Services and Markets Act 2000, or the regulatory regime thereunder; or

- (ii) exclude or restrict, to an extent prohibited by law, any duty or liability the Index Sponsor may have to any recipient of this description.

The Royal Bank of Scotland plc owns intellectual property rights in the Index. Any use of any such intellectual property rights must be with the consent of The Royal Bank of Scotland plc.

## **RBS VC Emerging Markets SRI Index (SEK) ER 23% (the “Index”)**

The Index is calculated and maintained by The Royal Bank of Scotland N.V. (formerly ABN AMRO Bank N.V.), acting through its London Branch based on a methodology (the “**Index Rules**”) (which, for the avoidance of doubt, do not form part of this Index description) developed by The Royal Bank of Scotland plc (the “**Index Sponsor**”).

The Index aims to track a notional strategy that applies a risk-stabilisation overlay to a base methodology. The base methodology reflects the performance of an underlying following the deduction of a performance adjustment (the “**Base Methodology**”).

The performance adjustment is the level of adjustment, applied to the Index level which represents the costs incurred by the Index Sponsor in linking (and therefore notionally exposing) the Index to the underlying (the “**Performance Adjustment**”). The Performance Adjustment will reduce the level of the Base Methodology and therefore the Index level.

The underlying is a published index, the RBS Emerging Markets Socially Responsible Investment Index (the “**Reference Index**”) which is sponsored by The Royal Bank of Scotland N.V. (formerly ABN AMRO Bank N.V.), London Branch and calculated daily (Bloomberg code RBSZEMSS Index).

The Index level is also reduced by trading costs which represent the costs incurred by the Index Sponsor from the bid-offer spread notionally payable to change the exposure in the Reference Index, and by a charity deduction fee which represents a variable fee payable to the Index Sponsor for the purpose of the Index Sponsor donating the charity deduction fee to a charity of its choice.

The purpose of the risk-stabilisation overlay is to dynamically adjust exposure to the Base Methodology based on the Maximum Realised Volatility (as defined below) of the Base Methodology.

The “**Maximum Realised Volatility**” is calculated as the maximum Realised Volatility (as defined below) over 5 consecutive strategy calculation dates which are used as reference observation dates (each, an “**Observation Date**”). The “**Realised Volatility**” herein is specifically a measure of how much the daily returns of the Base Methodology have fluctuated around their average in the past over a defined time period. The time period is taken to be twenty (20) days and the average is calculated as the arithmetic mean.

Exposure to the Base Methodology is reduced if the Maximum Realised Volatility of the Base Methodology increases to certain levels. Conversely, exposure to the Base Methodology is increased if the Maximum Realised Volatility of the Base Methodology decreases to certain levels. The dynamic participation provides for the Index to have exposure to the Base Methodology within a range from a minimum of 0% to a maximum of 150.00%.

The dynamically adjusted exposure (the “**Dynamic Participation**”) is thus determined according to the range that the Maximum Realised Volatility falls within. The ranges of the Maximum Realised Volatility and the corresponding dynamic participation values are described in the Index Rules.

The final Index level is calculated daily by increasing or decreasing the exposure to the Base Methodology by applying the Dynamic Participation, irrespective of whether the performance of the Base Methodology is negative or positive. Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code RBSBESK1 Index.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the relevant Offer Period (if any) to the maturity date upon request at the offices of the Index Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

Index Sponsor: The Royal Bank of Scotland plc

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Although the Index Sponsor will obtain information for inclusion in or for use in the calculation of the Index from sources which the Index Sponsor considers reliable, the Index Sponsor will not independently verify such information and does not guarantee the accuracy and/or the completeness of the Index or any data included therein. The Index Sponsor is under no obligation to advise any person of any error in the Index.

The Index Sponsor makes no express or implied representations or warranties concerning (i) whether or not the Index may achieve any particular level or meet or correlate with any particular objective or (ii) the fitness for any purpose of the Index.

The Index Sponsor accepts no legal liability to any person in connection with its publication and dissemination of the Strategy.

Nothing in this description will:

- (a) exclude or restrict any obligation the Index Sponsor may have to any recipient of this description, nor any liability the Index Sponsor may incur to any such recipient, under the Financial Services and Markets Act 2000, or the regulatory regime thereunder; or
- (b) exclude or restrict, to an extent prohibited by law, any duty or liability the Index Sponsor may have to any recipient of this description.

The Royal Bank of Scotland plc owns intellectual property rights in the Index. Any use of any such intellectual property rights must be with the consent of The Royal Bank of Scotland plc.

### **RBS VC Gotham Alpha US Index (USD) ER 12% (the “Index”)**

The Index is calculated by Standard & Poor’s Financial Services LLC, or its successor based on a methodology (the “**Index Rules**”) (which, for the avoidance of doubt, do not form part of this Index description) developed by The Royal Bank of Scotland plc (the “**Index Sponsor**”).

The Index aims to track a risk-stabilised notional strategy linked to a base methodology after the deduction of a management fee, which represents the costs charged by the Index Sponsor to produce and maintain the Index, and a trading cost, which represents the costs incurred by the Index Sponsor from the bid-offer spread notionally payable to change the exposure in the Reference Indices (as defined below). This is achieved by varying the exposure to the base methodology on a daily basis, depending on the Maximum Realised Volatility (as defined below) of the base methodology.

The “**Maximum Realised Volatility**” is calculated as the maximum Realised Volatility (as defined below) observed over 5 consecutive calculation dates. “**Realised Volatility**” herein is specifically a measure of how much the daily returns of the base methodology have fluctuated around the arithmetic mean of the daily returns of the base methodology over a defined time period that comprises the immediately preceding twenty (20) calculation dates.

Exposure to the base methodology is reduced if the Maximum Realised Volatility of the base methodology increases to an amount equal to or above certain levels. Conversely, exposure to the base methodology is increased if the Maximum Realised Volatility of the base methodology decreases to certain levels. The dynamic adjusted exposure (the “**Dynamic Participation**”) provides for the Index to have exposure to the base methodology within a range from a minimum of 0% to a maximum of 150%. The Dynamic Participation is thus determined according to the range that the Maximum Realised Volatility falls within.

The base methodology is linked to the performance of the Reference Indices in accordance with an algorithm following the deduction of an access cost in respect of each Reference Index which represents the costs incurred by the Index Sponsor in connection with investing in the Reference Indices. The “**Reference Indices**” are published indices, the RBS Gotham US Enhanced Value Index (USD) ER (Bloomberg page: RBSEGVU1 Index) (“**Reference Index 1**”) and the RBS US 500 Index (USD) ER (Bloomberg page: RBSERSU1 Index) (“**Reference Index 2**”) respectively.

On every rebalancing date, the algorithm obtains a long exposure to Reference Index 1 and a short exposure to Reference Index 2. The level of the base methodology should increase if the performance of Reference Index 1 is greater than the performance of Reference Index 2, notwithstanding the effects of the access costs in respect of each Reference Index.

Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code: RBSAGVU1 Index.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the relevant Offer Period (if any) to the maturity date upon request at the offices of the Index Sponsor at The

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Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

Index Sponsor: The Royal Bank of Scotland plc

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### **RBS Gotham US Enhanced Value Index (USD) ER (the “Index”)**

The Index is calculated by Standard & Poor’s Financial Services LLC, or its successor based on a methodology (the “**Index Rules**”) (which, for the avoidance of doubt, do not form part of this Index description) developed by The Royal Bank of Scotland plc (the “**Index Sponsor**”).

The Index aims to track a notional strategy that applies a performance adjustment to the Gotham US Enhanced Value Index (USD) TR (the “**Reference Index**”) which is sponsored by The Royal Bank of Scotland N.V. (formerly ABN AMRO Bank N.V.), London Branch (Bloomberg page: GEVIUSA Index).

The performance adjustment is the level of adjustment, applied to the value of the Index which represents the costs incurred by the Index Sponsor in linking (and therefore notionally exposing) the Index to the Reference Index (the “**Performance Adjustment**”). The Performance Adjustment will reduce the level of the Reference Index and therefore the level of the Index.

Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code: RBSEGVU1 Index.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the relevant Offer Period (if any) to the maturity date upon request at the offices of the Index Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

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### **RBS VC European Twister Plus Index (USD) ER 10% (the “Index”)**

The Index is calculated by The Royal Bank of Scotland N.V. (formerly ABN AMRO Bank N.V.), acting through its London Branch, or its successor based on a methodology (the “**Index Rules**”) (which, for the avoidance of doubt, do not form part of this Index description) developed by The Royal Bank of Scotland plc (the “**Index Sponsor**”).

The Index’s objective is to track a dynamic long-short algorithm which is linked to the Risk Stabilised Europe Top 50 Strategy (the “**ER Asset**”) (Bloomberg page: EXREEUTP Index), which is sponsored by The Royal Bank of Scotland plc, after the deduction of a management fee.

The dynamic long-short algorithm means an algorithm that can have either a notionally long or short position in the ER Asset at a particular point in time, but not both simultaneously. If the algorithm has a long position, the level of the Index will increase if the ER Asset rises in value and decrease if the ER Asset falls in value. If the algorithm has a short position, the level of the Index will increase if the ER Asset falls and decrease if the ER Asset rises.

On each trend observation date, the algorithm compares the level of the ER Asset at a specified time (the “**ER Asset Value**”) to its average value derived from the immediately preceding 18 trend observation dates (the “**Moving Average Eighteen**”) to determine market trend, and the Moving Average Eighteen to the ER Asset average value derived from the immediately preceding 12 Trend Observation Dates (the “**Moving Average Twelve**”) to determine the strength of the market trend.

If the ER Asset Value on such trend observation date is greater than, or equal to, the Moving Average Eighteen, then the market trend is deemed to be positive and the Index shall have a long economic exposure to the ER Asset for the **subsequent** investment period. If the ER Asset Value on a trend observation date is lower than the Moving Average Eighteen, then the market trend is deemed to be negative and the Index shall have a short economic exposure to the ER Asset for the subsequent investment period.

If the market trend is positive and the Moving Average Twelve is greater than, or equal to, the Moving Average Eighteen, then the long-exposure of the Index to the ER Asset will be 125%. In all other cases (i.e., the Moving Average Twelve is less than the Moving Average Eighteen), the long-exposure will be 75%. If the market trend is negative and the Moving Average Twelve is less than the Moving Average Eighteen, then the short-exposure of the Strategy to the ER Asset will be 125%. In all other cases (i.e., the Moving Average Twelve is more than the Moving Average Eighteen), the short-exposure will be 75%.

Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code: RBSDTXU1 Index.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the relevant Offer Period (if any) to the maturity date upon request at the offices of the Index Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA. Investors should note that this

description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

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## **RBS VC Aurum IV Index (USD) ER 15% (the “Index”)**

The Index is calculated by The Royal Bank of Scotland N.V. (formerly ABN AMRO Bank N.V.), acting through its London Branch, or its successor based on a methodology (the “**Index Rules**”) (which, for the avoidance of doubt, do not form part of this Strategy description) developed by The Royal Bank of Scotland plc (the “**Index Sponsor**”).

The Index aims to track a risk-stabilised notional strategy linked to the constituent after the deduction of a management fee which represents the costs charged by the Index Sponsor to produce and maintain the Index. This is achieved by varying the exposure to the constituent on a daily basis, depending on the Maximum Realised Volatility (as defined below) of the constituent.

The “**Maximum Realised Volatility**” is calculated as the maximum Realised Volatility (as defined below) observed over 5 consecutive calculation dates. “**Realised Volatility**” herein is specifically a measure of how much the daily returns of the constituent have fluctuated around the arithmetic mean of the daily returns of the constituent over a defined time period that comprises the immediately preceding twenty (20) calculation dates.

Exposure to the constituent is reduced if the Maximum Realised Volatility of the constituent increases to an amount equal to or above certain levels. Conversely, exposure to the constituent is increased if the Maximum Realised Volatility of the constituent decreases to certain levels. The dynamic adjusted exposure (the “**Dynamic Participation**”) provides for the Index to have exposure to the constituent within a range from a minimum of 0% to a maximum of 150%. The Dynamic Participation is thus determined according to the range that the Maximum Realised Volatility falls within.

The constituent is linked to the performance of the Reference Indices (as defined below) in accordance with an algorithm following the deduction of an access cost in respect of each Reference Index which represents the costs incurred by the Index Sponsor in connection with investing in the Reference Indices in order to maintain the Index. The “**Reference Indices**” are published indices, the RICI<sup>®</sup> Enhanced<sup>SM</sup> – Gold ER Index (Bloomberg page: RIEHGC Index) (“**Reference Index 1**”) and the RICI<sup>®</sup> Enhanced<sup>SM</sup> – Crude Oil ER Index (Bloomberg page: RIEHCRER Index) (“**Reference Index 2**”). On every determination date, defined as every alternating Tuesday or immediately following calculation date if such Tuesday is not a calculation date, the algorithm compares the level of the current price of Reference Index 1 (the “**Reference Index 1 Price**”) divided by the current price of Reference Index 2 (the “**Reference Index 2 Price**”) (the “**GO Ratio**”), to the average level of the GO Ratio over the last 60 calculation dates (the “**Moving Average**”). If the GO Ratio is greater than or equal to the Moving Average, the algorithm will have a positive economic exposure to Reference Index 1 starting from but excluding the calculation date immediately after such determination date (the “**Rebalancing Date**”). Otherwise, the algorithm will have a positive economic exposure to Reference Index 2. This exposure is maintained until the next Rebalancing Date.

Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code: RBSDARU4 Index.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the relevant Offer Period (if any) to the maturity date upon request at the offices of the Index Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

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## **RBS VC Multi Currency Index (USD) ER 12% (the “Index”)**

The Index is calculated and maintained by The Royal Bank of Scotland N.V. (formerly ABN AMRO Bank N.V.), acting through its London Branch based on the methodology (the “**Index Rules**”) (which, for the avoidance of doubt, do not form part of this Index description) developed by The Royal Bank of Scotland plc (the “**Index Sponsor**”).

The Index aims to track a notional strategy, after the deduction of a management fee and a trading cost and the application of a risk-stabilisation overlay to a base methodology. The base methodology reflects the performance of an underlying following the deduction of a performance adjustment.

The management fee represents the costs charged by the Index Sponsor to produce and maintain the Index and the trading cost represents the costs incurred by the Index Sponsor from the bid-offer spread notionally payable to change the exposure in the underlying. The management fee and the trading cost will reduce the level of the Index.

The performance adjustment represents the level of adjustment applied to the Reference Index (as defined below), which represents the costs incurred by the Index Sponsor in linking (and therefore notionally exposing) the Index to the Reference Index. The performance adjustment will reduce the level of the base methodology and therefore the level of the Index.

The “**Reference Index**” is a published index, the RBS Multi Currency Index (USD) TR, which is sponsored by The Royal Bank of Scotland N.V. (Bloomberg page: RBSXMCSY Index).

The purpose of the risk-stabilisation overlay is to dynamically adjust exposure to the base methodology based on the Maximum Realised Volatility (as defined below) of the base methodology.

The “**Maximum Realised Volatility**” is calculated as the maximum Realised Volatility (as defined below) observed over 5 consecutive calculation dates. “**Realised Volatility**” herein is specifically a measure of how much the daily returns of the base methodology have fluctuated around the arithmetic mean of the daily returns of the base methodology over a defined time period that comprises the immediately preceding twenty (20) calculation days.

Exposure to the base methodology is reduced if the Maximum Realised Volatility of the base methodology increases to an amount equal to or above certain levels. Conversely, exposure to the base methodology is increased if the Maximum Realised Volatility of the base methodology decreases to certain levels. The dynamic adjusted exposure (the “**Dynamic Participation**”) provides for the Index to have exposure to the base methodology within a range from a minimum of 0% to a maximum of 200%. The Dynamic Participation is thus determined according to the range that the Maximum Realised Volatility falls within.

Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code: RBSBMCU1 Index.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the relevant Offer Period (if any) to the maturity date upon request at the offices of the Index Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

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### **RBS VC Trader Vic IV Index (USD) ER 15% (the “Index”)**

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The Index aims to track a risk-stabilised notional strategy linked to the constituent after the deduction of a management fee which represents the costs charged by the Index Sponsor to produce and maintain the Index. This is achieved by varying the exposure to the constituent on a daily basis, depending on the Maximum Realised Volatility of the constituent.

The “**Maximum Realised Volatility**” is calculated as the maximum Realised Volatility (as defined below) observed over 5 consecutive calculation dates. “**Realised Volatility**” herein is specifically a measure of how much the daily returns of the constituent have fluctuated around the arithmetic mean of the daily returns of the constituent over a defined time period that comprises the immediately preceding twenty (20) calculation dates.

Exposure to the constituent is reduced if the Maximum Realised Volatility of the constituent increases to an amount equal to or above certain levels. Conversely, exposure to the constituent is increased if the Maximum Realised Volatility of the constituent decreases to certain levels. The dynamic adjusted exposure (the “**Dynamic Participation**”) provides for the Index to have exposure to the constituent within a range from a minimum of 0% to a maximum of 150%. The Dynamic Participation is thus determined according to the range that the Maximum Realised Volatility falls within.

The constituent reflects the performance of the Reference Index (as defined below) following the deduction of an access cost which represents the costs charged and expenses incurred by the Index Sponsor in connection with investing in the Reference Index in order to maintain the Index. The “**Reference Index**” is a published index, the Trader Vic Index (USD) ER (Bloomberg page: TVICER Index).

Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code: RBSDVCU4 Index.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the relevant Offer Period (if any) to the maturity date upon request at the offices of the Index Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

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### **RBS Sharpener Index (USD) ER (the “Index”)**

The Index is calculated by The Royal Bank of Scotland N.V. (formerly ABN AMRO Bank N.V.), acting through its London Branch, or its successor based on a methodology (the “**Index Rules**”) (which, for the avoidance of doubt, do not form part of this Index description) developed by The Royal Bank of Scotland plc (the “**Index Sponsor**”).

The Index is linked to the performance of five Reference Indices (as defined below) (less an access cost and a trading cost) by the application of an algorithm. The access cost represents the costs charged and expenses incurred by the Index Sponsor in connection with investing in each Reference Index in order to maintain the Index. The trading cost represents the costs incurred by the Index Sponsor from the bid-offer spread notionally payable to change the weight in each Reference Index. Reference Index 1, reference index 2, reference index 3, reference index 4 and reference index 5 (each a “**Reference Index**” and together the “**Reference Indices**”) are, respectively, the following published indices, all of which are also sponsored by The Royal Bank of Scotland plc:

- (a) RBS VC Gotham Alpha US Index (USD) ER 12%;
- (b) RBS VC European Twister Plus Index (USD) ER 10%;
- (c) RBS VC Aurum IV Index (USD) ER 15%;
- (d) RBS VC Multi Currency Index (USD) ER 12%; and
- (e) RBS VC Trader Vic IV Index (USD) ER 15%.

On every determination date, defined as the first calculation date of every calendar month, the algorithm ranks the Sharpe ratio (the “**SR**”) of each Reference Index. The SR for each Reference Index is calculated as the price return of the Reference Index divided by the annualised volatility of the Reference Index, measured over a 40 day period. The five SRs will be ranked and a weighting will be allocated to each Reference Index in accordance with the numerical rank of its respective SR. The Reference Index with the highest SR will be allocated a weighting of 40%, the Reference Index with the second highest SR will be allocated a weighting of 30%, the Reference Index with the third highest SR will be allocated a weighting of 20%, the Reference Index with the fourth highest SR will be allocated a weighting of 10% and the Reference Index with the lowest SR will be allocated a weighting of 0% for the investment period. The investment period is the period over which the allocated weighting will be applied to each Reference Index and such period will extend from the valuation time on the calculation date immediately succeeding the relevant determination date (the “**Rebalance Date**”) to the valuation time on the next Rebalance Date.

Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code: RBSSHBUI Index.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the relevant Offer Period (if any) to the maturity date upon request at the offices of the Index Sponsor at The

Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

Index Sponsor: The Royal Bank of Scotland plc

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The Index Sponsor makes no express or implied representations or warranties concerning (i) whether or not the Index may achieve any particular level or meet or correlate with any particular objective or (ii) the fitness for any purpose of the Index.

The Index Sponsor accepts no legal liability to any person in connection with its publication and dissemination of the Strategy.

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### **RBS VC Sharpener Index (SEK) ER 9% (the “Index”)**

The Index is calculated by Future Value Consultants Limited or its successor (the “**Index Calculation Agent**”) (the “**Index Rules**”) (which, for the avoidance of doubt, do not form part of this Index description) based on a methodology developed by The Royal Bank of Scotland plc (the “**Index Sponsor**”).

The Index aims to track a notional strategy after the deduction of a management fee and trading costs and the application of a risk-stabilisation and currency conversion overlay to the Reference Indices (as defined below). The management fee represents the costs charged by the Index Sponsor to produce and maintain the Index and the trading costs represents the costs incurred by the Index Sponsor in linking the Index to the Currency Converted Final Underlying (as defined below) and which are derived from the bid-offer spread notionally payable to change the dynamically adjusted exposure to the Currency Converted Final Underlying. The management fee and the trading costs will reduce the level of the Index.

The “**Reference Index**” is a published index, the RBS Sharpener Index (USD) ER, which is sponsored by The Royal Bank Scotland plc (Bloomberg page: RBSSHBU1 Index).

The currency conversion overlay involves the application of the Quampo™ technology. Quampo™ is a dynamic technology created by the Index Sponsor for dealing with currency risk exposures. Quampo™ implements an algorithm that converts the Reference Index’s original currency to another desired currency. As a result of applying this technology, only the change in value of an underlying asset is exposed to currency risk, instead of the full notional value as would be the case otherwise. In this Index, the technology allows the Index Sponsor to create an Index denominated in Swedish kronor from the Reference Index which is denominated in U.S. dollars.

The purpose of the risk-stabilisation overlay is to dynamically adjust exposure to the Reference Index after the application of the currency conversion overlay (the “**Currency Converted Final Underlying**”).

The “**Maximum Realised Volatility**” is calculated as the maximum Realised Volatility (as defined below) observed over 5 consecutive calculation dates which are used as reference observation dates. The “**Realised Volatility**” herein is specifically a measure of how much the daily returns of the Currency Converted Final Underlying have fluctuated around their average in the past over a defined time period. The time period is taken to be twenty (20) days and the average is calculated as the arithmetic mean.

Exposure to the Currency Converted Final Underlying is reduced if the Maximum Realised Volatility of the Currency Converted Final Underlying increases to certain levels. Conversely, exposure to the Currency Converted Final Underlying is increased if the Maximum Realised Volatility of the Currency Converted Final Underlying decreases to certain levels. The dynamically adjusted exposure (the “**Dynamic Participation**”) provides for the Index to have exposure to the Currency Converted Final Underlying within a range from a minimum of 0% to a maximum of 130.00%. The Dynamic Participation is thus determined according to the range that the Maximum Realised Volatility falls within. The Index aims to realise a volatility of less than 9.0% annualised.

Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code: RBSSHPK1 Index.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the relevant Offer Period (if any) to the maturity date upon request at the offices of the Index Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

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The Index Sponsor makes no express or implied representations or warranties concerning (i) whether or not the Index may achieve any particular level or meet or correlate with any particular objective or (ii) the fitness for any purpose of the Index.

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### **RBS Symbiosis IV Index (USD) ER (the “Index”)**

The Index is calculated by Future Value Consultants Limited, or its successor, based on a methodology (the “**Index Rules**”) (which, for the avoidance of doubt, do not form part of this Index description) developed by The Royal Bank of Scotland plc (the “**Index Sponsor**”).

Under normal conditions, the Index will be linked to the performance of three out of five possible underlyings (less an access cost, borrow cost and trading cost) by the application of an algorithm. The Index will always be linked to the performance of at least two underlyings and may, in certain circumstances (further described below), be linked to more than three underlyings.

The access cost represents the costs charged and expenses incurred by the Index Sponsor in connection with investing in each relevant underlying in order to maintain the Index. The borrow cost represents the costs incurred by the Index Sponsor in connection with borrowing the constituents of the Emerging Markets ER Asset underlying when taking a notional short exposure in such underlying. The trading cost represents the execution costs incurred by the Index Sponsor, which are calculated as the difference between the market buying price and the market selling price of the constituents of each relevant underlying, notionally payable to change the weight in such underlying.

The underlyings are the following indices: the World ER Asset, the Multi-Currency ER Asset, the RICI<sup>®</sup> Enhanced<sup>SM</sup> – Gold Index, the RICI<sup>®</sup> Enhanced<sup>SM</sup> – Crude Oil ER Index and the Emerging Markets ER Asset (each an “**Reference Index**” and together the “**Reference Indices**”). The Reference Indices represent exposure to the following markets and financial areas: equity markets (in respect of the World ER Asset and the Emerging Markets ER Asset); commodity markets (in respect of the RICI<sup>®</sup> Enhanced<sup>SM</sup> – Gold Index and the RICI<sup>®</sup> Enhanced<sup>SM</sup> – Crude Oil ER Index); and foreign exchange markets (in respect of the Multi-Currency ER Asset).

On every monthly determination date, the algorithm ranks the absolute momentum indicator (“**AMI**”) of each Reference Index. The AMI for each Reference Index is calculated as the absolute value of the momentum indicator (“**MI**”) for each Reference Index. The MI for each Reference Index is calculated as the arithmetic average of the 10-day price return (price return is otherwise described as the return of the Reference Index without taking into account interest and dividends related to that Reference Index or any components thereof) and the 90-day price return of the Reference Index.

The five AMIs will be ranked from highest to lowest and a weighting will be allocated to each Reference Index in accordance with the numerical rank of its respective AMI. The Reference Index with the highest AMI will be allocated a weighting of 50%, the Reference Index with the second highest AMI will be allocated a weighting of 40%, the Reference Index with the third highest AMI will be allocated a weighting of 10%, the Reference Index with the fourth highest AMI will be allocated a weighting of 0%, and the Reference Index with the lowest AMI will be allocated a weighting of 0% for the investment period. If two or more Reference Indices have equal AMIs, the corresponding weights for these Reference Indices will be

added together and then allocated equally amongst such Reference Indices. For example, where two Reference Indices share the third highest AMI (where such AMI would ordinarily result in a weighting of 10% being allocated to a Reference Index) such 10% weighting will be added to the 0% weighting ordinarily given to the fourth highest AMI, and allocated equally across the number of Reference Indices sharing the AMI. This means the Reference Indices with the same AMIs in this example would each be allocated a weighting of 5% and the Index would be linked to the performance of four out of the five possible Reference Indices for the investment period.

In relation to borrow costs if, following a rebalancing date: (i) the Index allocates a weighting above zero to the Emerging Markets ER Asset (ii) the Index has a short exposure to the Emerging Markets ER Asset and (iii) the borrow cost for the Emerging Markets ER Asset rises above a level of 2.00% annualised, the Index will require the short exposure to the Emerging Markets ER Asset to be notionally terminated immediately. This means that from the time the short position is terminated to and including the next rebalance date, the Index would not be linked to the performance of the Emerging Markets ER Asset and would only be linked to the performance of other Reference Indices (which may be limited to two Reference Indices) which have been allocated a weighting above zero.

The notional long or short exposure for each Reference Index is set according to whether the MI relative to each of those Reference Indices is positive or negative. If the MI of an Reference Index is positive, the Reference Index will be deemed to be in a positive trend and the Index will have a long exposure to the Reference Index. If the MI of a Reference Index is negative, the Reference Index will be deemed to be in a negative trend and the Index will have a short exposure to the Reference Index.

If the Index has a long exposure to an Reference Index, the level of the Index will increase if the level of the Reference Index rises in value and will decrease if the level of the Reference Index falls in value. If the Index has a short exposure to a Reference Index, the level of the Index will increase if the level of the Reference Index falls in value and will decrease if the level of the Reference Index rises in value.

The investment period is the period over which the allocated weighting and exposure will be applied to each Reference Index and such period will extend from the closing time on the calculation date immediately succeeding the relevant determination date (the “**Rebalance Date**”) to the closing time on the next Rebalance Date.

Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code RBSDRYU4.

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Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

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### **RBS VC Symbiosis IV Index (SEK) ER 20% (the “Index”)**

The Index is calculated by Future Value Consultants Limited, or its successor, based on a methodology (the “**Index Rules**”) (which, for the avoidance of doubt, do not form part of this Index description) developed by The Royal Bank of Scotland plc (the “**Index Sponsor**”).

The Index aims to track a notional strategy after the deduction of a management fee and trading costs and the application of a risk-stabilisation and currency conversion overlay to a base methodology.

The management fee represents the costs charged by the Index Sponsor to produce and maintain the Index and the trading cost represents the costs incurred by the Index Sponsor in linking the Index to the currency converted base methodology, and which are derived from the bid-offer spread notionally payable to change the dynamically adjusted exposure to the currency converted base methodology

The “**Base Methodology**” is a published index, the RBS Symbiosis IV Index (USD) ER, which is sponsored by The Royal Bank of Scotland plc (Bloomberg page: RBSDRYU4).

The currency conversion overlay involves the application of the Quampo™ technology. Quampo™ is a dynamic technology created by the Index Sponsor for dealing with currency risk exposures. Quampo™ implements an algorithm that converts the Base Methodology’s original currency to another desired currency. As a result of applying this technology, only the change in value of an underlying asset is exposed to currency risk, instead of the full notional value as would be the case otherwise. In this Index, the Quampo™ technology allows the Index Sponsor to create an Index denominated in Swedish kronor from the Base Methodology which is denominated in U.S. dollars.

The purpose of the risk-stabilisation overlay is to dynamically adjust exposure to the Base Methodology after the application of the currency conversion overlay. The dynamic participation adjusts on a daily basis in order to stabilise the volatility of the Index. The dynamic participation will vary between 0.00% and 150.00% and shall be dependent on the maximum realised volatility of the returns of a synthetic portfolio of the underlying components of the Base Methodology. The maximum realised volatility is calculated as the maximum realised volatility observed over 5 consecutive calculation dates. Realised volatility herein is specifically a measure of how much the daily portfolio returns have fluctuated in the past over a defined period of time. The portfolio returns are the returns of a synthetic portfolio of the underlying components of the Base Methodology weighted by the current weights as defined in the methodology of the Base Methodology.

If the level of the maximum realised volatility of the portfolio returns increases above a certain level, the exposure to the currency converted Base Methodology will be reduced and if the level of the maximum realised volatility of the portfolio returns decreases below a certain level, the exposure to the currency converted Base Methodology will be increased. As such, the Index aims to realise a target volatility of less than 20.00% annualised.

Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code: RBSDSYK4.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the relevant Offer Period (if any) to the maturity date upon request at the offices of the Index Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

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## **RBS VC BRIC Index (EUR) ER 16% (the “Index”)**

The Index is calculated and maintained by Future Value Consultants Limited, or its successor (the “**Calculation Agent**”) based on a methodology (the “**Index Rules**”) (which, for the avoidance of doubt, do not form part of this Index description) developed by The Royal Bank of Scotland plc (the “**Sponsor**”).

The Index aims to track a notional strategy that applies volatility control and circuit breaker mechanisms (as defined below) to the performance of the Base Methodology (as defined below) following the deduction of trading cost. The “**Base Methodology**” reflects the performance of the Reference Index following the deduction of the Performance Adjustment. The “**Reference Index**” is the DAXGlobal BRIC Net TR EUR Index which is sponsored and published by Deutsche Borse AG (Bloomberg code D1AZN Index).

The “**Performance Adjustment**” is the level of adjustment, applied to the Base Methodology which represents the costs incurred by the Sponsor in linking (and therefore notionally exposing) the Index to the Reference Index. The Performance Adjustment will reduce the level of the Base Methodology and therefore the Index level.

The Index level is reduced by trading costs which represent the costs incurred by the Sponsor from the bid-offer spread notionally payable to change the exposure in the Reference Index.

The purpose of the volatility-control mechanism is to dynamically adjust exposure to the Base Methodology based on the Maximum Realised Volatility (as defined below) of the Base Methodology.

The “**Maximum Realised Volatility**” is calculated as the maximum Realised Volatility (as defined below) over 5 consecutive calculation dates which are used as reference observation dates. The “**Realised Volatility**” herein is specifically a measure of how much the daily returns of the Base Methodology have fluctuated around their average in the past over a defined time period. The time period is taken to be twenty (20) calculation dates and the average is calculated as the arithmetic mean.

Exposure to the Base Methodology is reduced if the Maximum Realised Volatility of the Base Methodology increases to certain levels. Conversely, exposure to the Base Methodology is increased if the Maximum Realised Volatility of the Base Methodology decreases to certain levels.

The dynamically adjusted exposure (the “**Dynamic Participation**”) provides for the Index to have exposure to the Base Methodology within a range from a minimum of 0% to a maximum of 100.00%. The Dynamic Participation is thus determined according to the range that the Maximum Realised Volatility falls within.

In certain instances, the Dynamic Participation applied to the Base Methodology is reduced to zero irrespective of the Maximum Realised Volatility of the Base Methodology. This change in the Dynamic Participation occurs when the Base Methodology detects a sudden spike in the volatility of the Base Methodology along with fall in the value of the Base Methodology. When this spike occurs (known as a “**Circuit Breaker Trigger Event**”), the exposure to the Base Methodology will be zero from and including

the day upon which a Circuit Breaker Trigger Event occurs to and including the four consecutive calculation dates following such date.

Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code: RBSBEBE1 Index.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the relevant Offer Period (if any) to the maturity date upon request at the offices of the Index Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

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### **RBS VC Commodity Index (USD) ER 11% (the “Index”)**

The Index is calculated and maintained by The Royal Bank of Scotland N.V., or its successor (the “**Calculation Agent**”) based on a methodology (the “**Index Rules**”) (which, for the avoidance of doubt, do not form part of this Index description) developed by The Royal Bank of Scotland plc (the “**Sponsor**”).

The Index aims to track a notional strategy that applies a volatility control mechanism (as defined below) to the performance of the RICI<sup>®</sup> Enhanced Excess Return Index (Bloomberg page RIEHGLER Index) (the “**Reference Index**”).

The purpose of the volatility-control mechanism is to dynamically adjust exposure to the Reference Index based on the Maximum Realised Volatility (as defined below) of the Reference Index.

The “**Maximum Realised Volatility**” is calculated as the maximum Realised Volatility (as defined below) over 5 consecutive calculation dates which are used as reference observation dates. The “**Realised Volatility**” herein is specifically a measure of how much the daily returns of the Reference Index have fluctuated around their average in the past over a defined time period. The time period is taken to be twenty (20) calculation dates and the average is calculated as the arithmetic mean.

Exposure to the Reference Index is reduced if the Maximum Realised Volatility of the Reference Index increases to certain levels. Conversely, exposure to the Reference Index is increased if the Maximum Realised Volatility of the Reference Index decreases to certain levels.

The dynamically adjusted exposure (the “**Dynamic Participation**”) provides for the Index to have exposure to the Reference Index within a range from a minimum of 0% to a maximum of 100.00%. The Dynamic Participation is thus determined according to the range that the Maximum Realised Volatility falls within.

Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code: RBSBMTU1 Index.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the relevant Offer Period (if any) to the maturity date upon request at the offices of the Index Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

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### **RBS Environmental Strategy Index (GBP) PR 12% (the “Index”)**

The Index is calculated and maintained by Standard & Poor’s, a division of The McGraw-Hill Companies Inc., or its successor (the “**Calculation Agent**”) based on a methodology (the “**Index Rules**”) (which, for the avoidance of doubt, do not form part of this Index description) developed by The Royal Bank of Scotland plc (the “**Sponsor**”).

The Index aims to track a notional strategy that applies a volatility control mechanism (as defined below) to the performance of the Reference Asset (as defined below). The “**Reference Asset**” reflects the performance of the Reference Index following the deduction of the Performance Adjustment. The “**Reference Index**” is the RBS Environmental Base Total Return Index (Bloomberg code RBSZENVT Index).

The “**Performance Adjustment**” is the level of adjustment applied to the Reference Asset, which represents the amounts synthetically deducted by the Sponsor when creating the price return Index. The Performance Adjustment will reduce the level of the Reference Asset and therefore the Index level.

The purpose of the volatility-control mechanism is to dynamically adjust exposure to the Reference Asset based on the Maximum Realised Volatility (as defined below) of the Reference Asset.

The “**Maximum Realised Volatility**” is calculated as the maximum Realised Volatility (as defined below) over 5 consecutive calculation dates which are used as reference observation dates. The “**Realised Volatility**” herein is specifically a measure of how much the daily returns of the Reference Asset have fluctuated around their average in the past over a defined time period. The time period is taken to be twenty (20) calculation dates and the average is calculated as the arithmetic mean.

Exposure to the Reference Asset is reduced if the Maximum Realised Volatility of the Reference Asset increases to certain levels. Conversely, exposure to the Reference Asset is increased if the Maximum Realised Volatility of the Reference Asset decreases to certain levels.

The dynamically adjusted exposure (the “**Dynamic Participation**”) provides for the Index to have exposure to the Reference Asset within a range from a minimum of 0% to a maximum of 100.00%. The Dynamic Participation is thus determined according to the range that the Maximum Realised Volatility falls within.

Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code: RBSBEVG1 Index.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the relevant Offer Period (if any) to the maturity date upon request at the offices of the Index Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

Index Sponsor: The Royal Bank of Scotland plc

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The Index Sponsor makes no express or implied representations or warranties concerning (i) whether or not the Index may achieve any particular level or meet or correlate with any particular objective or (ii) the fitness for any purpose of the Index or this description.

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### **RBS UK Balanced Sector Index (GBP) PR 12.65% (the “Index”)**

The Index is calculated and maintained by Standard & Poor’s, a division of The McGraw-Hill Companies Inc., or its successor (the “**Calculation Agent**”) based on a methodology (the “**Index Rules**”) (which, for the avoidance of doubt, do not form part of this Index description) developed by The Royal Bank of Scotland plc (the “**Sponsor**”).

The Index aims to track a notional strategy that applies a volatility control mechanism (as defined below) to the performance of the Reference Asset (as defined below). The “**Reference Asset**” reflects the performance of the Reference Index following the deduction of the Performance Adjustment. The “**Reference Index**” is the RBS Balanced Sector Base Total Return Index (Bloomberg code RBSZUKBS Index).

The “**Performance Adjustment**” is the level of adjustment applied to the Reference Asset, which represents the amounts synthetically deducted by the Sponsor when creating the price return Index. The Performance Adjustment will reduce the level of the Reference Asset and therefore the Index level.

The purpose of the volatility-control mechanism is to dynamically adjust exposure to the Reference Asset based on the Maximum Realised Volatility (as defined below) of the Reference Asset.

The “**Maximum Realised Volatility**” is calculated as the maximum Realised Volatility (as defined below) over 5 consecutive calculation dates which are used as reference observation dates. The “**Realised Volatility**” herein is specifically a measure of how much the daily returns of the Reference Asset have fluctuated around their average in the past over a defined time period. The time period is taken to be twenty (20) calculation dates and the average is calculated as the arithmetic mean.

Exposure to the Reference Asset is reduced if the Maximum Realised Volatility of the Reference Asset increases to certain levels. Conversely, exposure to the Reference Asset is increased if the Maximum Realised Volatility of the Reference Asset decreases to certain levels.

The dynamically adjusted exposure (the “**Dynamic Participation**”) provides for the Index to have exposure to the Reference Asset within a range from a minimum of 0% to a maximum of 165.00%. The Dynamic Participation is thus determined according to the range that the Maximum Realised Volatility falls within.

Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code: RSBUTG1 Index.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the relevant Offer Period (if any) to the maturity date upon request at the offices of the Index Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

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### **RBS VC Trader Vic Index (USD) ER 10% (the “Index”)**

The Index is calculated by The Royal Bank of Scotland N.V. (formerly ABN AMRO Bank N.V.), acting through its London Branch, or its successor based on a methodology (the “**Index Rules**”) (which, for the avoidance of doubt, do not form part of this Index description) developed by The Royal Bank of Scotland plc (the “**Index Sponsor**”).

The Index aims to track a risk-stabilised notional strategy linked to the constituent. This is achieved by varying the exposure to the constituent on a daily basis, depending on the Maximum Realised Volatility of the constituent.

The “**Maximum Realised Volatility**” is calculated as the maximum Realised Volatility (as defined below) observed over 5 consecutive calculation dates. “**Realised Volatility**” herein is specifically a measure of how much the daily returns of the constituent have fluctuated around the arithmetic mean of the daily returns of the constituent over a defined time period that comprises the immediately preceding twenty (20) calculation dates.

Exposure to the constituent is reduced if the Maximum Realised Volatility of the constituent increases to an amount equal to or above certain levels. Conversely, exposure to the constituent is increased if the Maximum Realised Volatility of the constituent decreases to certain levels. The dynamic adjusted exposure (the “**Dynamic Participation**”) provides for the Index to have exposure to the constituent within a range from a minimum of 0% to a maximum of 150%. The Dynamic Participation is thus determined according to the range that the Maximum Realised Volatility falls within.

The constituent reflects the performance of the Reference Index (as defined below) following the deduction of an access cost which represents the costs charged and expenses incurred by the Index Sponsor in connection with investing in the Reference Index in order to maintain the Strategy. The “**Reference Index**” is a published index, the Trader Vic Index (USD) ER (Bloomberg page: TVICER Index).

Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code: RBSDVCU1.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the relevant Offer Period (if any) to the maturity date upon request at the offices of the Index Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

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### **RBS Volatility-Controlled Emerging Opportunities Strategy 3 (the “Strategy”)**

The Strategy is calculated by The Royal Bank of Scotland N.V. based on a methodology (the “**Strategy Rules**”) (which, for the avoidance of doubt, does not form part of this Strategy description) developed by The Royal Bank of Scotland N.V. (the “**Strategy Sponsor**”). The Strategy aims to track a risk-stabilised notional investment in a basket comprising emerging markets funds and a commodities index (the “**Basket**”). Each constituent of the Basket is given a weighting and a notional investment in each constituent was made at the inception of the Strategy in accordance with such weighting. Each constituent’s value will vary over time but the Basket will be rebalanced every quarter (and interests in the constituents notionally bought or sold) such that each constituent once again has its original weighting.

The Strategy aims to achieve risk stabilisation by varying the exposure to the Basket on a daily basis, if necessary, depending on the Maximum Fund Basket Volatility of the constituent and whether the Stop Loss Period Trigger has been activated. Where exposure to the Basket is reduced, the exposure to a notional interest-bearing cash deposit is increased.

The “**Maximum Fund Basket Volatility**” is calculated as the highest annualised and realised 20 day volatility of the value of the basket observed over 5 consecutive calculation dates.

The “**Stop Loss Period Trigger**” is calculated on the basis of the Stop Loss Trigger on the 9 calculation dates falling on and prior to the second business day prior to the calculation date in question. The “**Stop Loss Trigger**” is a flag based on the combined signals given by the momentum of the Basket over a 5 day period and the volatility change of the Basket. Where the Stop Loss Period Trigger has been activated then the allocation to the Basket shall be reduced towards zero over a period of 9 days and all notional proceeds of the sale of the constituents will be invested in the notional cash deposit. If subsequently the 20 day moving average of the value of the Basket is less than the prevailing value of the Basket then there will be a reallocation of amounts to the Basket.

The Basket comprises the following four funds and one index: the Aberdeen Global – Emerging Markets Equity Fund (Bloomberg page: ABEFROA LX <Equity>), the Baring Global Emerging Markets Fund (Bloomberg page: BRGGEMI ID <Equity>), the Templeton Emerging Markets Bond Fund (Bloomberg page: TEMEFBA LX <Equity>), the MFS – Emerging Markets Debt Fund ((Bloomberg page: MFSEDA1 LX <Equity>) and the RICI Enhanced Index (Bloomberg page: RIEHGL <Index>), net of 85 bps per annum (Bloomberg page: RBSVCMD <Index>).

Information about the past and the future performance of the Strategy and its volatility can be obtained from Bloomberg code: RBSVEOS3<Index>.

A copy of the Strategy Rules relating to the Strategy will be available for review from the beginning of the relevant Offer Period (if any) to the maturity date upon request at the offices of the Strategy Sponsor at The Royal Bank of Scotland N.V., 250 Bishopsgate, London EC2M 4AA. Investors should note that this description of the Strategy Rules is subject to the detailed provisions of the Strategy Rules. In order to obtain

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Investors should note that the Strategy Rules are subject to change from time to time. In certain circumstances, the Strategy Sponsor can change the method of calculating the Strategy, or may discontinue or suspend calculation or dissemination of the Strategy which could affect the return or principal amount paid on the Securities.

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### **RBS VC BRIC (EUR) ER 16% Index (the “Index”)**

The Index is calculated and maintained by Future Value Consultants Limited, or its successor (the “**Calculation Agent**”) based on a methodology (the “**Index Rules**”) (which, for the avoidance of doubt, do not form part of this Index description) developed by The Royal Bank of Scotland plc (the “**Sponsor**”).

The Index aims to track a notional strategy that applies volatility control and circuit breaker mechanisms (as defined below) to the performance of the Base Methodology (as defined below) following the deduction of trading cost. The “**Base Methodology**” reflects the performance of the Reference Index following the deduction of the Performance Adjustment. The “**Reference Index**” is the DAXGlobal BRIC Net TR EUR Index which is sponsored and published by Deutsche Borse AG (Bloomberg code D1AZN Index).

The “**Performance Adjustment**” is the level of adjustment, applied to the Base Methodology which represents the costs incurred by the Sponsor in linking (and therefore notionally exposing) the Index to the Reference Index. The Performance Adjustment will reduce the level of the Base Methodology and therefore the Index level.

The Index level is reduced by trading costs which represent the costs incurred by the Sponsor from the bid-offer spread notionally payable to change the exposure in the Reference Index.

The purpose of the volatility-control mechanism is to dynamically adjust exposure to the Base Methodology based on the Maximum Realised Volatility (as defined below) of the Base Methodology.

The “**Maximum Realised Volatility**” is calculated as the maximum Realised Volatility (as defined below) over 5 consecutive calculation dates which are used as reference observation dates. The “**Realised Volatility**” herein is specifically a measure of how much the daily returns of the Base Methodology have fluctuated around their average in the past over a defined time period. The time period is taken to be twenty (20) calculation dates and the average is calculated as the arithmetic mean.

Exposure to the Base Methodology is reduced if the Maximum Realised Volatility of the Base Methodology increases to certain levels. Conversely, exposure to the Base Methodology is increased if the Maximum Realised Volatility of the Base Methodology decreases to certain levels.

The dynamically adjusted exposure (the “**Dynamic Participation**”) provides for the Index to have exposure to the Base Methodology within a range from a minimum of 0% to a maximum of 100.00%. The Dynamic Participation is thus determined according to the range that the Maximum Realised Volatility falls within.

In certain instances, the Dynamic Participation applied to the Base Methodology is reduced to zero irrespective of the Maximum Realised Volatility of the Base Methodology. This change in the Dynamic Participation occurs when the Base Methodology detects a sudden spike in the volatility of the Base Methodology along with fall in the value of the Base Methodology. When this spike occurs (known as a “**Circuit Breaker Trigger Event**”), the exposure to the Base Methodology will be zero from and including

the day upon which a Circuit Breaker Trigger Event occurs to and including the four consecutive calculation dates following such date.

Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code: RBSBEBE1 Index.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the relevant Offer Period (if any) to the maturity date upon request at the offices of the Index Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

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### **RBS VC Commodity (USD) ER 11% Index (the “Index”)**

The Index is calculated and maintained by The Royal Bank of Scotland N.V., or its successor (the “**Calculation Agent**”) based on a methodology (the “**Index Rules**”) (which, for the avoidance of doubt, do not form part of this Index description) developed by The Royal Bank of Scotland plc (the “**Sponsor**”).

The Index aims to track a notional strategy that applies a volatility control mechanism (as defined below) to the performance of the RICI<sup>®</sup> Enhanced Excess Return Index (Bloomberg page RIEHGLER Index) (the “**Reference Index**”).

The purpose of the volatility-control mechanism is to dynamically adjust exposure to the Reference Index based on the Maximum Realised Volatility (as defined below) of the Reference Index.

The “**Maximum Realised Volatility**” is calculated as the maximum Realised Volatility (as defined below) over 5 consecutive calculation dates which are used as reference observation dates. The “**Realised Volatility**” herein is specifically a measure of how much the daily returns of the Reference Index have fluctuated around their average in the past over a defined time period. The time period is taken to be twenty (20) calculation dates and the average is calculated as the arithmetic mean.

Exposure to the Reference Index is reduced if the Maximum Realised Volatility of the Reference Index increases to certain levels. Conversely, exposure to the Reference Index is increased if the Maximum Realised Volatility of the Reference Index decreases to certain levels.

The dynamically adjusted exposure (the “**Dynamic Participation**”) provides for the Index to have exposure to the Reference Index within a range from a minimum of 0% to a maximum of 100.00%. The Dynamic Participation is thus determined according to the range that the Maximum Realised Volatility falls within.

Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code: RBSBMTU1 Index.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the relevant Offer Period (if any) to the maturity date upon request at the offices of the Index Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

Index Sponsor: The Royal Bank of Scotland plc

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### **RBS Environmental Strategy (GBP) PR 12% Index (the “Index”)**

The Index is calculated and maintained by Standard & Poor’s, a division of The McGraw-Hill Companies Inc., or its successor (the “**Calculation Agent**”) based on a methodology (the “**Index Rules**”) (which, for the avoidance of doubt, do not form part of this Index description) developed by The Royal Bank of Scotland plc (the “**Sponsor**”).

The Index aims to track a notional strategy that applies a volatility control mechanism (as defined below) to the performance of the Reference Asset (as defined below). The “**Reference Asset**” reflects the performance of the Reference Index following the deduction of the Performance Adjustment. The “**Reference Index**” is the RBS Environmental Base Total Return Index (Bloomberg code RBSZENVT Index).

The “**Performance Adjustment**” is the level of adjustment applied to the Reference Asset, which represents the amounts synthetically deducted by the Sponsor when creating the price return Index. The Performance Adjustment will reduce the level of the Reference Asset and therefore the Index level.

The purpose of the volatility-control mechanism is to dynamically adjust exposure to the Reference Asset based on the Maximum Realised Volatility (as defined below) of the Reference Asset.

The “**Maximum Realised Volatility**” is calculated as the maximum Realised Volatility (as defined below) over 5 consecutive calculation dates which are used as reference observation dates. The “**Realised Volatility**” herein is specifically a measure of how much the daily returns of the Reference Asset have fluctuated around their average in the past over a defined time period. The time period is taken to be twenty (20) calculation dates and the average is calculated as the arithmetic mean.

Exposure to the Reference Asset is reduced if the Maximum Realised Volatility of the Reference Asset increases to certain levels. Conversely, exposure to the Reference Asset is increased if the Maximum Realised Volatility of the Reference Asset decreases to certain levels.

The dynamically adjusted exposure (the “**Dynamic Participation**”) provides for the Index to have exposure to the Reference Asset within a range from a minimum of 0% to a maximum of 100.00%. The Dynamic Participation is thus determined according to the range that the Maximum Realised Volatility falls within.

Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code: RBSBEVG1 Index.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the relevant Offer Period (if any) to the maturity date upon request at the offices of the Index Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

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### **RBS UK Balanced Sector (GBP) PR 12.65% Index (the “Index”)**

The Index is calculated and maintained by Standard & Poor’s, a division of The McGraw-Hill Companies Inc., or its successor (the “**Calculation Agent**”) based on a methodology (the “**Index Rules**”) (which, for the avoidance of doubt, do not form part of this Index description) developed by The Royal Bank of Scotland plc (the “**Sponsor**”).

The Index aims to track a notional strategy that applies a volatility control mechanism (as defined below) to the performance of the Reference Asset (as defined below). The “**Reference Asset**” reflects the performance of the Reference Index following the deduction of the Performance Adjustment. The “**Reference Index**” is the RBS Balanced Sector Base Total Return Index (Bloomberg code RBSZUKBS Index).

The “**Performance Adjustment**” is the level of adjustment applied to the Reference Asset, which represents the amounts synthetically deducted by the Sponsor when creating the price return Index. The Performance Adjustment will reduce the level of the Reference Asset and therefore the Index level.

The purpose of the volatility-control mechanism is to dynamically adjust exposure to the Reference Asset based on the Maximum Realised Volatility (as defined below) of the Reference Asset.

The “**Maximum Realised Volatility**” is calculated as the maximum Realised Volatility (as defined below) over 5 consecutive calculation dates which are used as reference observation dates. The “**Realised Volatility**” herein is specifically a measure of how much the daily returns of the Reference Asset have fluctuated around their average in the past over a defined time period. The time period is taken to be twenty (20) calculation dates and the average is calculated as the arithmetic mean.

Exposure to the Reference Asset is reduced if the Maximum Realised Volatility of the Reference Asset increases to certain levels. Conversely, exposure to the Reference Asset is increased if the Maximum Realised Volatility of the Reference Asset decreases to certain levels.

The dynamically adjusted exposure (the “**Dynamic Participation**”) provides for the Index to have exposure to the Reference Asset within a range from a minimum of 0% to a maximum of 165.00%. The Dynamic Participation is thus determined according to the range that the Maximum Realised Volatility falls within.

Information about the past and the future performance of the Index and its volatility can be obtained from Bloomberg code: RSBUTG1 Index.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the relevant Offer Period (if any) to the maturity date upon request at the offices of the Index Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

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## **RBS Global Metal & Mining Index (USD) TR (the “Index”)**

The Index is based on a methodology (the “**Index Rules**”) developed by The Royal Bank of Scotland N.V. (the “**Index Sponsor**”).

The Index is initially equally weighted and tracks 30 companies which are operating in the Metal & Mining industry according to the S&P industry classification, as determined in the reasonable discretion of the index calculator (each a “**Metal & Mining Related Company**” and together “**Metal & Mining Related Companies**”).

To qualify for inclusion in the Index, a “**Share Company**” (a company which for the time being is included in the Index) must in addition to being a Metal and Mining Related Company, have a total market capitalisation of minimum USD 100,000,000 or the equivalent amount in another currency calculated by applying the exchange rate and have a 3 month average daily turnover of a minimum of USD 1,000,000 (the “**Selection Criteria**”).

On the index launch date the value of the Index (the “**Index Value**”) was USD 100.

The Index Value is calculated once a day on every business day. The Index Value is the weighted total of all the shares in the Index multiplied by the price of each share. All distributions made by a Share Company shall be notionally reinvested proportionally according to each share’s weight in the Index in order to preserve the weighting given to the stock of each share company included in the Index.

The Index shall be re-weighted annually. The existing shares shall be weighted equally with effect from the annual re-weighting date. The basis for the re-weighting shall be the prices of the shares from the annual re-weighting date taking into account the relevant exchange rate if necessary.

The Index shall comprise at any time of at least seven “**Qualifying Share Companies**” (meaning each Metal & Mining Related Company which complies with the Selection Criteria and which for the time being is included in the Index) and ceases to exist if there are less than seven Qualifying Share Companies eligible for inclusion.

The information above is a description of the methodology and material rules and risks relating to the Index. The Selection Criteria indicate the key criteria which must be fulfilled for inclusion in the Index, but is not intended to be exhaustive. The Index Sponsor makes no representation or warranty that the Index will achieve its stated investment objectives.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the offer period (if any) to the relevant maturity date upon request at the offices of the Index Sponsor at The Royal Bank of Scotland N.V. 250 Bishopsgate, London, EC2M 4AA. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

The Index is the intellectual property of the Index Sponsor.

## **RBS Mongolia Opportunity Index (USD) TR (the “Index”)**

The Index is based on a methodology (the “**Index Rules**”) developed by The Royal Bank of Scotland N.V. (the “**Index Sponsor**”).

The Index is a net total return index designed to reflect the performance of the securities of all companies that derive at least 50% of their revenues from Mongolia, or at least 50% of their property and other interests in mineral resource properties are held in Mongolia (each such company a “**Mongolia-related Company**” and together referred to as the “**Mongolia-related Companies**”). Only ordinary shares or preferred shares, American Depository Receipts or Global Depository Receipts of such Mongolia-related Companies are eligible for inclusion in the Index.

On each “**Determination Date**” (being 10 business days before each semi annual re-weighting date), the index calculator will determine which securities are eligible for inclusion in the Index. In addition to being a Mongolia Related Company, each issuer of a security must have a total market capitalisation of greater than USD 100,000,000 or the equivalent amount in another currency calculated by applying the exchange rate, the security must have a 3 month average daily value traded of greater than USD 500,000 (the “**Selection Criteria**”).

On the Index launch date the value of the Index was USD 100.

The index calculator shall compile a list of all Qualifying Share Companies (such list the “**Selection List**”). The securities that will be included in the Index effective at the open of trading on the relevant re-weighting date (the “**Prospective Shares**”) are selected from the Qualifying Shares on the Selection List in accordance with the following selection procedure (“**Selection Procedure**”):

If a “**Qualifying Share Company**” (meaning a company which is the issuer of a “**Qualifying Share**”, which is any security which complies with the Selection Criteria) has issued several classes of securities which are eligible based on the Selection Criteria, the index calculator shall remove the class of security with the lower liquidity measured by 3 month average daily value traded;

The Qualifying Share Companies in the Selection List are ranked in descending order by their market capitalisation in USD (or the equivalent amount in another currency calculated by applying the Exchange Rate) as published on Bloomberg. The Qualifying Share Company with the highest market capitalisation is listed first with a rank equal to 1;

If the Selection List includes 15 or more Qualifying Share Companies, the Qualifying Shares of the top 15 largest Qualifying Share Companies based on market capitalisation, or, where the Selection List includes less than 15 (but at least 7) Qualifying Share Companies, the Qualifying Shares of all Qualifying Share Companies are included in the Index, and the respective weight of each Prospective Share cannot exceed 15%.

The value of the index (“**Index Value**”) is calculated once a day on every business day. The Index Value is the weighted total of all the shares in the basket multiplied by the price of each share. All distributions made by a share company shall be notionally reinvested proportionally according to each share’s weight in the Index in order to preserve the weighting given to the stock of each share company included in the Index. The index calculator will calculate and publish the Index Value.

The composition of the Index is determined on each Determination Date and the Index is rebalanced on each semi annual re-weighting date. The Index shall initially and on each semi annual re-weighting date be modified market capitalisation weighted. The Index shall include at any time a minimum number of 7 shares and will cease to be calculated if there are less than 7 Qualifying Share Companies.

The information above is a description of the methodology and material rules and risks relating to the Index. The Selection Criteria indicate the key criteria which must be fulfilled for inclusion in the Index, but is not intended to be exhaustive. The Index Sponsor makes no representation or warranty that the Index will achieve its stated investment objectives.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the offer period (if any) to the relevant maturity date upon request at the offices of the Index Sponsor at The Royal Bank of Scotland N.V. 250 Bishopsgate, London, EC2M 4AA. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

The Index is the intellectual property of the Index Sponsor.

## **Rare Metals Mining Index (USD) TR (the “Index”)**

The Index is based on a methodology (the “**Index Rules**”) developed by The Royal Bank of Scotland N.V. (the “**Index Sponsor**”).

The Index is a total return index designed to reflect the performance of the securities of companies actively involved in mining or mineral exploration of beryllium, cobalt, lithium, molybdenum, rhodium, ruthenium, tantalum, or titanium (each such company a “**Rare Metals Mining Company**” and together referred to as the “**Rare Metals Mining Companies**”) that are included in the Index. New applications of such metals in catalysts and alloying agents as technological advances are made, may create new supply and demand patterns. Only ordinary or preference shares, American Depository Receipts or Global Depository Receipts of such Rare Metals Mining Companies are eligible for inclusion in the Index.

On each “**Determination Date**” (being 10 business days before the index launch date or each semi annual re-weighting date), the index calculator will determine which securities are eligible for inclusion in the Index. In addition to being a Rare Metals Mining Company, each issuer of a security must have a total market capitalisation of greater than USD 100,000,000 but less than USD 10,000,000,000 or the equivalent amount in another currency calculated by applying the exchange rate and the security must have a 3 month average daily value traded of greater than USD 1,000,000 (the “**Selection Criteria**”).

Between each Determination Date and the index launch date or the relevant semi annual re-weighting date, the index calculator shall compile a list of “**Qualifying Share Companies**” (meaning a company which is the issuer of a “**Qualifying Share**”, which is any security which complies with the Selection Criteria) (such list, the “**Selection List**”). The index components are selected in accordance with the following selection procedure (the “**Selection Procedure**”):

If a Qualifying Share Company has issued several classes of securities, the index calculator shall take the class of security which best represents the Qualifying Share Company, as determined by it at its sole and absolute discretion, and which complies with all of the Selection Criteria;

On the Determination Date, the Qualifying Share Companies on the Selection List are ranked in descending order by their market capitalisation in USD (or the equivalent amount in another currency calculated by applying the Exchange Rate) as published on Bloomberg. The Qualifying Share Company with the highest market capitalisation is listed first with a rank equal to 1;

If the Selection List comprises 15 or more Qualifying Share Companies, the top 15 Qualifying Share Companies using the above ranking, or, where the Selection List comprises less than 15 Qualifying Share Companies, all the Qualifying Share Companies, are included in the Index, and the respective weight of each index component cannot exceed 15%.

The value of the index (the “**Index Value**”) is calculated once a day on every business day. The Index Value is the weighted total of all the shares in the basket multiplied by the price of each share. All distributions made by a share company shall be notionally reinvested proportionally according to each share’s weight in

the Index in order to preserve the weighting given to the stock of each share company included in the Index. The index calculator will calculate and publish the Index Value.

The index components will, initially and on each semi annual re-weighting date, be modified market capitalisation weighted, with a maximum weight of 15%.

The Index shall comprise at any time a minimum of 7 shares and will cease to be calculated if there are less than 7 Qualifying Share Companies.

The information above is a description of the methodology and material rules and risks relating to the Index. The Selection Criteria indicate the key criteria which must be fulfilled for inclusion in the Index, but is not intended to be exhaustive. The Index Sponsor makes no representation or warranty that the Index will achieve its stated investment objectives.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the offer period (if any) to the relevant maturity date upon request at the offices of the Index Sponsor at The Royal Bank of Scotland N.V. 250 Bishopsgate, London, EC2M 4AA. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

The Index is the intellectual property of the Index Sponsor.

## **RBS VC Commodity Autopilot Index (USD) PR 10% (the “Index”)**

The Index is calculated by RBS Business Services Private Limited (the “**Calculation Agent**”) based on a methodology developed by The Royal Bank of Scotland plc (the “**Index Sponsor**”). The Index is denominated in USD (the “**Base Currency**”).

The Index aims to track a Core Index (as defined below) after a volatility control overlay has been applied to the Core Index.

The purpose of the volatility control overlay is to dynamically adjust exposure to the Core Index based upon the maximum realised historical volatility (the “**Maximum Realised Volatility**”) of the Core Index. The Maximum Realised Volatility is calculated as the highest Realised Volatility observed over five (5) consecutive Calculation Dates. The Realised Volatility is a measure of how much the daily returns of the Core Index have fluctuated around their average in the past over a defined time period. The time period is taken to be twenty (20) days and the average is calculated as the arithmetic mean.

Exposure to the Core Index is reduced if the Maximum Realised Volatility of the Core Index increases to certain levels. Conversely, exposure to the Core Index is increased if the Maximum Realised Volatility of the Core Index decreases to certain levels. The dynamically adjusted exposure (the “**Dynamic Exposure**”) provides exposure to the Core Index within a range from a minimum of 0.0% to a maximum of 100.0%. The Dynamic Exposure depends upon the range that the Maximum Realised Volatility falls within. The Index aims to realise an annualised volatility of less than 10.0% annualised.

The “**Core Index**” is linked to the performance of an equally weighted basket of three following underlying assets by the application of an algorithm and deduction of an access cost:

RICI® Enhanced<sup>SM</sup> Energy Excess Return Index (“**Underlying 1**”);

RICI® Enhanced<sup>SM</sup> Agriculture Excess Return Index (“**Underlying 2**”); and

RICI® Enhanced<sup>SM</sup> Metals Excess Return Index (“**Underlying 3**”);

and each an “**Underlying U**” for U = 1 to 3 and together the “**Underlyings**”.

Access costs with respect to U = 1 to 3 will be deducted from the performance of the relevant Underlying, which will, in turn, reduce the level of the Core Index. The deduction of the access cost from the performance of the Underlying represents the costs charged and expenses incurred by the Index Sponsor when investing in each Underlying (for U = 1 to 3).

On each Calculation Date, the simple moving average of the levels of each Underlying (for U = 1 to 3) is calculated by using values up to and including that Calculation Date (each a “**Moving Average U**”). The number of Calculation Dates used to calculate the Moving Average may vary for each Underlying (for U = 1 to 3), (each a Moving Average Period). The Moving Average U is arrived at by the summation of the levels of an Underlying U over the Moving Average Period (including the level on Calculation Date t) and dividing the result by the number of Calculation Dates in its Moving Average Period.

On each Calculation Date, the trend of an Underlying is reviewed. The Core Index will reference an economic long exposure to an Underlying U (for U = 1 to 3) if, on a given Calculation Date, it is observed that the level of an Underlying U (for U = 1 to 3) has been higher than its Moving Average U on each of the last 10 consecutive Calculation Dates. If the level of an Underlying U (for U = 1 to 3) have been equal to or less than the corresponding Moving Average U on each of the last 10 consecutive Calculation Dates, the Core Index will not have exposure to the Underlying U (for U = 1 to 3). When a level is above its Moving Average U for 10 consecutive Calculation Dates, an Underlying U (for U = 1 to 3) is said to be in a positive trend. When a level is equal to or below its Moving Average U for 10 consecutive Calculation Dates, the Underlying U (for U = 1 to 3) is said to be in a negative trend. A trend will revert (and therefore exposure to an Underlying will change) only if there have been 10 consecutive Calculation Dates where the levels of an Underlying have been uniformly (a) equal to or below the Moving Average U in the case of a trend reverting from positive to negative, or (b) above the Moving Average U in the case of a trend reverting from negative to positive.

The Core Index is rebalanced on the first Calculation Date of each calendar month so that the weighting of the Underlyings in the Core Index are equal.

The Index also accrues interest at the rate of 1 per cent. per annum.

The Index shall be calculated at the Valuation Time (“**Valuation Time**” being the time at which levels for all Underlyings are available on the relevant exchanges) on each scheduled trading day (i.e. a day on which each exchange (where trading of the Underlying principally occurs) and related exchange is scheduled to be open for its regular trading session) which is not a disrupted day (each such day being a “**Calculation Date**”).

The information above is a description of the methodology and material rules relating to the Index. The Index Sponsor makes no representation or warranty that the Index will achieve its stated investment objectives.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the offer period (if any) to the relevant maturity date upon request at the offices of the Index Sponsor at The Royal Bank of Scotland plc. 250 Bishopsgate, London, EC2M 4AA. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

The Index is the intellectual property of the Index Sponsor.

## **RBS Waste Management Index (EUR) TR (the “Index”)**

The Index is based on a methodology (the “**Index Rules**”) developed by The Royal Bank of Scotland N.V. (the “**Index Sponsor**”).

The Index is a total return index designed to reflect the performance of the securities of companies which generate more than 50% of total revenues from the collection, transport, processing, recycling or disposal of waste materials, or revenues more than EUR 1 billion from these activities (each such company a “**Waste Management Company**” and together referred to as the “**Waste Management Companies**”) that are included in the Index. Only ordinary or preference shares, American Depository Receipts or Global Depository Receipts of such Waste Management Companies are eligible for inclusion in the Index.

The index calculator will make determinations as regards the securities which are eligible for inclusion within the Index on the basis of certain criteria and will determine their weights. In addition to being a Waste Management Company, each issuer of a security must have a total market capitalisation of minimum EUR 500,000,000 or the equivalent amount in another currency calculated by applying the exchange rate and the security must have a 3 month average daily value traded of greater than EUR 1,000,000 (the “**Selection Criteria**”).

The Index will initially comprise the shares of 15 companies selected by the index calculator on the Index launch date which comply with the Selection Criteria (“**Qualifying Share Companies**”). On the Index launch date the value of the Index was EUR 100 (the “**Initial Index Value**”).

A list shall be compiled of Qualifying Share Companies (such list, the “**Selection List**”). The index components are selected in accordance with the following selection procedure (the “**Selection Procedure**”):

If a Qualifying Share Company has issued several classes of securities, the index calculator shall take the class of security which best represents the Qualifying Share Company, as determined by it at its sole and absolute discretion, and which complies with all of the Selection Criteria.

The Qualifying Share Companies on the Selection List are ranked in descending order by their market capitalisation in EUR (or the equivalent amount in another currency calculated by applying the Exchange Rate) as published on Bloomberg. The Qualifying Share Company with the highest market capitalisation is listed first with a rank equal to 1.

If the Selection List comprises 15 or more Qualifying Share Companies, the top 15 Qualifying Share Companies using the above ranking, or, where the Selection List comprises less than 15 Qualifying Share Companies, all the Qualifying Share Companies, are included in the Index, and the respective weight of each index component is calculated by dividing 1 by the number of index components.

The value of the index (the “**Index Value**”) is calculated once a day on every business day. The Index Value is the weighted total of all the shares in the basket multiplied by the price of each share. All distributions

shall be notionally reinvested proportionally according to each share's weight in the Index in order to preserve the initial weighting given to the stock of each share company included in the Index.

Following the initial composition of the Index when it is first launched, the index calculator will semi annually review the notional composition of the Index and re-weight the components of the Index subject to each component meeting the Selection Criteria.

The index components will, initially and on each semi annual re-weighting date be equal weighted.

The Index shall comprise at any time of a minimum of 8 shares and ceases to be calculated if there are less than 8 Qualifying Share Companies.

The information above is a description of the methodology and material rules and risks relating to the Index. The Selection Criteria indicate the key criteria which must be fulfilled for inclusion in the Index, but is not intended to be exhaustive. The Index Sponsor makes no representation or warranty that the Index will achieve its stated investment objectives.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the offer period (if any) to the relevant maturity date upon request at the offices of the Index Sponsor at The Royal Bank of Scotland N.V. 250 Bishopsgate, London, EC2M 4AA. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

The Index is the intellectual property of the Index Sponsor.

## **RBS Climate Change & Environment Index (EUR) TR (the “Index”)**

The Index is based on a methodology (the “**Index Rules**”) developed by The Royal Bank of Scotland N.V. (the “**Index Sponsor**”).

The Index is designed to reflect the performance of the securities of the “**Sector Companies**” (being companies which derive revenues from one or more of the following sectors: ethanol, geothermal power and other alternative fuels, hydroelectric power, platinum and palladium mining, solar power, water, waste management or wind power (collectively the “**Sectors**”) and are not classified on Bloomberg as being in any of the following industry groups: (i) Oil & Gas; (ii) Gas; or (iii) Coal), as determined at the sole and absolute discretion of the index calculator, after reasonable consideration of the available information, that are included in the Index. Only ordinary or preference shares, American Depository Receipts or Global Depository Receipts of such Sector Companies are eligible for inclusion in the Index.

The index calculator will make determinations as regards the securities which are eligible for inclusion within the Index on the basis of certain criteria and will determine the quantity of such securities to be included. In addition to being a Sector Company (with revenue generated from all of the Sectors being greater than 25% of the Sector Company’s total revenue), each issuer of a security must have a total market capitalisation of greater than EUR 600,000,000 or the equivalent amount in another currency calculated by applying the exchange rate and the security must have a 3 month average daily value traded of greater than EUR 1,000,000 (the “**Selection Criteria**”).

The Index will initially comprise the shares of 30 companies selected by the index calculator on the index launch date. On the index launch date the value of the Index was EUR 133.65 (the “**Initial Index Value**”). A list shall be compiled of “**Qualifying Share Companies**” (meaning a company which is the issuer of a “**Qualifying Share**”, which is any security which complies with the Selection Criteria) (such list, the “**Selection List**”). The Selection List is divided in 8 Sector Selection Lists. The index components are selected in accordance with the following selection procedure (the “**Selection Procedure**”):

If a Qualifying Share Company has issued several classes of securities, the index calculator shall take the class of security which best represents the Qualifying Share Company, as determined by it at its sole and absolute discretion, and which complies with the Selection Criteria.

The Qualifying Share Companies on the Sector Selection Lists are ranked in descending order by their market capitalisation in EUR (or the equivalent amount in another currency calculated by applying the Exchange Rate) as published on Bloomberg, inside the Sector Selection List. The Qualifying Share Company with the highest market capitalisation is listed first with a rank equal to 1.

The top 4 Qualifying Share Companies in each Sector Selection List using the above ranking are included in the Index, and the respective weights of each index components is calculated by dividing the weighting given to a particular Sector by the number of index components who share the same sector.

The value of the index (the “**Index Value**”) is calculated once a day on every business day. The Index Value is the weighted total of all the shares in the basket multiplied by the price of each share. All distributions shall be notionally reinvested proportionally according to each share’s weight in the Index in order to preserve the weighting given to the stock of each share company included in the Index. The index calculator will calculate and publish the Index Value.

The index components will initially be equal weighted inside each Sector, with the Sector weights determined by the index calculator fixed on the index launch date and evolving with the Sector market capitalisation, being for each Sector, the sum of the market capitalisations of the index components within such Sector.

Following the initial composition of the Index on the index launch date, the index calculator will, on each re-weighting date, review the notional composition of the Index and re-weight the index components subject to the requirement that each of the newly selected shares meet the Selection Criteria. The index components shall be notionally re-weighted with effect from the semi annual re-weighting date. The basis for a re-weighting shall be the prices of the shares from the re-weighting date.

In the case where less than 4 companies in a Sector meet the Selection Criteria, there will be less than 4 companies included in the Index for this Sector. In the case where no company in a specific Sector meets the Selection Criteria, this Sector will not be included.

The Index shall comprise at any time a minimum of 15 shares and ceases to be calculated if there are less than 15 Qualifying Share Companies. The index components shall also represent, at any time, a minimum of 5 sectors and ceases to be calculated if it, at any time, is representative of less than 5 out of the 8 Sectors.

The information above is a description of the methodology and material rules and risks relating to the Index. The Selection Criteria indicate the key criteria which must be fulfilled for inclusion in the Index, but is not intended to be exhaustive. The Index Sponsor makes no representation or warranty that the Index will achieve its stated investment objectives.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the offer period (if any) to the relevant maturity date upon request at the offices of the Index Sponsor at The Royal Bank of Scotland N.V. 250 Bishopsgate, London, EC2M 4AA. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

The Index is the intellectual property of the Index Sponsor.

## **RBS Clean Renewable Energy TR Index (the “Index”)**

The Index is based on a methodology (the “**Index Rules**”) developed by The Royal Bank of Scotland N.V. (the “**Index Sponsor**”).

The Index is initially equally weighted and tracks 10 companies which derive at least 60% of their revenues from producing or servicing renewable energy or activities linked to renewable energy which can be attributed to at least one of the following “clean” renewable energy sub industries: wind, water, solar, bio fuel, hydroelectric power, geothermal or fuel cells, as determined in the reasonable discretion of the index calculator (each a “**Renewable Energy Related Company**” and together “**Renewable Energy Related Companies**”).

In addition to being a Renewable Energy Related Company, each issuer of a security must have a total market capitalisation of minimum USD 100,000,000 or the equivalent amount in another currency calculated by applying the exchange rate and the security must have a 3 month average daily value traded of a minimum of USD 3,000,000. If a stock is covered by analysts, the percentage of “Buy” and “Hold” Analyst recommendations (ANR) for such a stock shall be at least 50% of total recommendations (the “**Selection Criteria**”). Except from this rule is Vestas Wind Systems A/S due to the company’s importance in the wind power industry being one of the world’s largest manufacturer of wind turbines.

On the index launch date the Index will initially comprise the shares (the “**Shares**”) of 10 companies (each a “**Share Company**” and together “**Share Companies**”) as selected by the index calculator on the index launch date (each a “**Renewable Energy Index Component**” and together the “**Renewable Energy Index Components**”). The Renewable Energy Index Components will be initially equally weighted (each Share Company at 10%) in the Index based on the price of the Renewable Energy Index Components on the index launch date.

The value of the index (the “**Index Value**”) is calculated once a day on every business day. The Index Value is the weighted total of all the shares in the basket multiplied by the price of each share. All distributions shall be notionally reinvested proportionally according to each share’s weight in the Index in order to preserve the weighting given to the stock of each share company included in the Index. The index calculator will calculate and publish the Index Value.

The Index shall be re-weighted on each annual re-weighting date. The shares of the largest Renewable Energy Related Companies by market capitalisation that meet the Selection Criteria will be included in the Index and shall be weighted equally with effect from the re-weighting date. The basis for the re-weighting shall be the prices of the Shares from the re-weighting date taking into account the relevant exchange rate.

The Index shall comprise at any time of at least seven “**Qualifying Share Companies**” (meaning a company which is the issuer of a “**Qualifying Share**”, which is any security which complies with the Selection Criteria) and ceases to exist if there are less than seven Qualifying Share Companies eligible.

The information above is a description of the methodology and material rules and risks relating to the Index. The Selection Criteria indicate the key criteria which must be fulfilled for inclusion in the Index, but is not intended to be exhaustive. The Index Sponsor makes no representation or warranty that the Index will achieve its stated investment objectives.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the offer period (if any) to the relevant maturity date upon request at the offices of the Index Sponsor at The Royal Bank of Scotland N.V. 250 Bishopsgate, London, EC2M 4AA. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

The Index is the intellectual property of the Index Sponsor.

## **RBS Wind TR Index (the “Index”)**

The Index is based on a methodology (the “**Index Rules**”) developed by The Royal Bank of Scotland N.V. (the “**Index Sponsor**”).

The Index is a total return index designed to reflect the performance of the securities of companies involved in the production of energy from wind or distribution of wind generators or services to the wind industry (each such company a “**Wind Company**” and together referred to as the “**Wind Companies**”), as determined at the sole and absolute discretion of the index calculator, after reasonable consideration of the available information, that are included in the Index. Only ordinary or preference shares, units, American Depository Receipts or Global Depository Receipts of such Wind Companies are eligible for inclusion in the Index.

The index calculator will make determinations as regards the securities which are eligible for inclusion within the Index on the basis of the certain set criteria. In addition to being a Wind Company, each issuer of a security must have a total market capitalisation of greater than EUR 75,000,000 or the equivalent amount in another currency calculated by applying the exchange rate and the security must have a 3 month average daily value traded of greater than EUR 500,000 (the “**Selection Criteria**”). The index calculator also determines the weights attached to each share company in the basket.

The Index will initially comprise the shares of 9 companies selected by the index calculator from “**Qualifying Shares**” (meaning the shares issued by a company which complies with the Selection Criteria, a “**Qualifying Share Company**”) on the index launch date. On the index launch date the value of the Index was EUR 100.00 (the “**Initial Index Value**”).

A list shall be compiled of Qualifying Share Companies (such list, the “**Selection List**”). The index components are selected in accordance with the following selection procedure (“**Selection Procedure**”):

If a Qualifying Share Company has issued several classes of securities, the index calculator shall take the class of security which best represents the Qualifying Share Company, as determined by it at its sole and absolute discretion, and which complies with all of the Selection Criteria.

The Qualifying Share Companies on the Selection List are ranked in descending order by their market capitalisation in EUR (or the equivalent amount in another currency calculated by applying the Exchange Rate) as published on Bloomberg. The Qualifying Share Company with the highest market capitalisation is listed first with a rank equal to 1.

If the Selection List comprises 10 or more Qualifying Share Companies, the top 10 Qualifying Share Companies using the above ranking, or, where the Selection List comprises less than 10 Qualifying Share Companies, all the Qualifying Share Companies, are included in the Index, and the respective weight of each index component cannot exceed 20%.

The value of the index (the “**Index Value**”) is calculated once a day on every business day. The Index Value is the weighted total of all the shares in the basket multiplied by the price of each share. All distributions made by a share company shall be notionally reinvested proportionally according to each share’s weight in the Index in order to preserve the initial weighting given to the stock of each share company included in the Index.

Following the initial composition of the Index when it was first launched the index calculator will semi annually, review the notional composition of the Index and re-weight the components of the Index subject to each component meeting the Selection Criteria.

The index components will, initially and semi annually, be modified market capitalisation weighted, with a maximum weight of 20%.

The information above is a description of the methodology and material rules and risks relating to the Index. The Selection Criteria indicate the key criteria which must be fulfilled for inclusion in the Index, but is not intended to be exhaustive. The Index Sponsor makes no representation or warranty that the Index will achieve its stated investment objectives.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the offer period (if any) to the relevant maturity date upon request at the offices of the Index Sponsor at The Royal Bank of Scotland N.V. 250 Bishopsgate, London, EC2M 4AA. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

The Index is the intellectual property of the Index Sponsor.

## **RBS Global Coal Index (USD) TR (the “Index”)**

The Index is based on a methodology (the “**Index Rules**”) developed by The Royal Bank of Scotland N.V. (the “**Index Sponsor**”).

The Index is designed to reflect the performance of the market in the shares of companies that are primarily involved in coal mining or production (each such company a “**Coal Related Company**” and together referred to as the “**Coal Related Companies**”), as determined in the reasonable discretion of the index calculator. Only companies which derive at least 50% of their revenue from coal-related business are included in the Index. Only ordinary shares or depository receipts (being GDRs listed in London or ADRs listed in New York) of such Coal Related Company are eligible for inclusion in the Index.

The index calculator will make determinations as regards the shares which are eligible for inclusion within the Index and will determine the quantity of such shares to be included. In addition to being a Coal Related Company, each issuer of a security must have a total market capitalisation of greater than USD 400,000,000 or the equivalent amount in another currency calculated by applying the exchange rate and the security must have a 3 month average daily value traded of greater than USD 1,000,000 (the “**Selection Criteria**”).

The Index will initially comprise the shares of 15 Coal Related Companies selected by the index calculator from “**Qualifying Shares**” (being any security which meets the Selection Criteria) on the index launch date (each an “**Index Component**” and together the “**Index Components**”). On the index launch date the value of the Index was USD 100.00 (the “**Initial Index Value**”).

A list shall be compiled of companies that satisfy the Selection Criteria (such companies, the “**Qualifying Share Companies**” and such list, the “**Selection List**”), and the shares of such companies shall be Qualifying Shares. The Index Components are selected in accordance with the following selection procedure (“**Selection Procedure**”):

If a Qualifying Share Company has issued several classes of shares, the index calculator shall take the class of share which best represents the Qualifying Share Company and complying with all of the Selection Criteria.

The Qualifying Share Companies on the Selection List are ranked in descending order by their market capitalisation in USD (or the equivalent amount in another currency calculated by applying the Exchange Rate) as published on Bloomberg. The Qualifying Share Company with the highest market capitalisation is listed first with a rank equal to 1.

The top 15 Qualifying Share Companies using the above ranking are included in the Index, and the respective weights of each Index Components which on the index launch date and on each Re-weighting Date are calculated by dividing 1 by the number of Index Components following the Re-weighting.

The value of the index (the “**Index Value**”) is calculated once a day on every business day. The Index Value is the weighted total of all the shares in the basket multiplied by the price of each share. All distributions

made by a share company shall be notionally reinvested proportionally according to each share's weight in the Index in order to preserve the initial weighting given to the stock of each share company included in the Index. The index calculator will calculate and publish the level of the Index once a day.

The Index Components will initially and on each semi-annual Re-weighting Date be equally-weighted. Following the initial composition of the Index on the index launch date, the index calculator shall make periodic changes to the Index as it deems appropriate in its reasonable discretion to the notional composition of the Index Components and/or the weights of Index Components (each such procedure a "**Re-weighting**") on a trading day (each such date a "**Re-weighting Date**"), subject to the compliance of the selected Index Component with the Selection Criteria set out above. The Index Components shall be re-weighted with effect from the Re-weighting Date. The basis for the Re-weighting shall be the prices of the shares from the Re-weighting Date.

The Index shall comprise at any time of at least ten Qualifying Share Companies and ceases to exist if there are less than ten Qualifying Share Companies.

The information above is a description of the methodology and material rules and risks relating to the Index. The Selection Criteria indicate the key criteria which must be fulfilled for inclusion in the Index, but is not intended to be exhaustive. The Index Sponsor makes no representation or warranty that the Index will achieve its stated investment objectives.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the offer period (if any) to the relevant maturity date upon request at the offices of the Index Sponsor at The Royal Bank of Scotland N.V. 250 Bishopsgate, London, EC2M 4AA. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

The Index is the intellectual property of the Index Sponsor.

## **RBS Solar Energy Index (EUR) TR (the “Index”)**

The Index is based on a methodology (the “**Index Rules**”) developed by The Royal Bank of Scotland N.V. (the “**Index Sponsor**”).

The index tracks the combined performance of 10 publicly listed companies primarily engaged in researching, developing, manufacturing, producing, or marketing solar technologies or other related technologies to generate solar energy, as determined in the reasonable discretion of the index calculator. Each company that is representative of the industry sector is a “**Solar Energy Related Company**” and “**Solar Energy Related Companies**” being construed accordingly. The Index shall be initially equally weighted. On semi-annual re-weighting dates, the weight of each Solar Energy Index Component is re-set such that each component is equally represented in the Index.

The index calculator will make determinations as regards the shares which are eligible for inclusion within the Index and will determine the quantity of such shares to be included. In addition to being a Solar Energy Related Company, each issuer of a security must have a total market capitalisation of minimum EUR 100,000,000 or the equivalent amount in another currency calculated by applying the exchange rate and the security must have a 3 month average daily value traded of greater than EUR 1,000,000 (the “**Selection Criteria**”). The index calculator also determines the weights attached to each share company in the basket.

On the index launch date, the Index will initially comprise of ten shares of 10 different share companies as selected by the index calculator (each a “**Solar Energy Index Component**” and together the “**Solar Energy Index Components**”).

The Solar Energy Index Components shall be initially equally weighted at  $1/10=10\%$  in the Solar Energy Index based on the price of each of the Solar Energy Index Components on the index launch date.

The index calculator shall make periodical adjustments to the Index on each re-weighting date (each such procedure a “**Re-weighting**”). Solar Energy Related Companies that do not fulfil all of the Selection Criteria on the re-weighting date do not qualify for inclusion in the Index. If the number of Solar Energy Index Components immediately prior to a re-weighting date is less than 10, then the number of Solar Energy Index Components may be increased up to 10 according to the Selection Criteria, as determined in the reasonable discretion of the index calculator. Re-weighting of the Index will apply with immediate effect.

The value of the index (the “**Index Value**”) is calculated once a day on every business day. The Index Value is the weighted total of all the shares in the basket multiplied by the price of each share. All distributions made by a share company shall be notionally reinvested proportionally according to each share’s weight in the Index in order to preserve the weighting given to the stock of each share company included in the Index. The index calculator will calculate and publish the level of the Index once a day.

The shares of the largest Solar Energy Related Companies by market capitalisation shall be weighted equally with effect from the re-weighting date. The basis for the re-weighting shall be the prices of the shares from re-weighting date.

The information above is a description of the methodology and material rules and risks relating to the Index. The Selection Criteria indicate the key criteria which must be fulfilled for inclusion in the Index, but is not intended to be exhaustive. The Index Sponsor makes no representation or warranty that the Index will achieve its stated investment objectives.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the offer period (if any) to the relevant maturity date upon request at the offices of the Index Sponsor at The Royal Bank of Scotland N.V. 250 Bishopsgate, London, EC2M 4AA. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

The Index is the intellectual property of the Index Sponsor.

## **RBS Eco Index (EUR) TR (the “Index”)**

The Index is based on a methodology (the “**Index Rules**”) developed by The Royal Bank of Scotland N.V. (the “**Index Sponsor**”).

The Index is designed to reflect the performance of the securities of the “**Sector Companies**” (being companies which derive revenues from one or more of the following sectors: ethanol, geothermal power and other alternative fuels, hydroelectric power, platinum and palladium mining, solar power, water, waste management or wind power (collectively the “**Sectors**”) and are not classified on Bloomberg as being in any of the following industry groups: (i) Oil & Gas; (ii) Gas; or (iii) Coal), as determined at the sole and absolute discretion of the index calculator, after reasonable consideration of the available information, that are included in the Index. Only ordinary or preference shares, American Depository Receipts or Global Depository Receipts of such Sector Companies are eligible for inclusion in the Index.

The index calculator will make determinations as regards the securities which are eligible for inclusion within the Index on the basis of certain criteria and will determine the quantity of such securities to be included. In addition to being a Sector Company (with revenue generated from all of the Sectors being greater than 25% of the Sector Company’s total revenue), each issuer of a security must have a total market capitalisation of greater than EUR 600,000,000 or the equivalent amount in another currency calculated by applying the exchange rate and the security must have a 3 month average daily value traded of greater than EUR 1,000,000 (the “**Selection Criteria**”).

The Index will initially comprise the shares of 30 companies selected by the index calculator from “**Qualifying Shares**” (meaning the shares issued by a company which complies with the Selection Criteria, a “**Qualifying Share Company**”) on the index launch date. On the index launch date the value of the Index was EUR 100 (“**Initial Index Value**”).

The index calculator shall compile a list of Qualifying Share Companies (such list, the “**Selection List**”). The Selection List is divided in 8 Sector Selection Lists. The index components are selected in accordance with the following selection procedure (the “**Selection Procedure**”):

If a Qualifying Share Company has issued several classes of securities, the index calculator shall take the class of security which best represents the Qualifying Share Company, as determined by it at its sole and absolute discretion, and which complies with all of the Selection Criteria.

On the determination date, the Qualifying Share Companies on the Sector Selection Lists are ranked in descending order by their market capitalisation in EUR (or the equivalent amount in another currency calculated by applying the Exchange Rate) as published on Bloomberg, inside the Sector Selection List. The Qualifying Share Company with the highest market capitalisation is listed first with a rank equal to 1.

Each Sector Selection List will be submitted to a screening agent for screening on certain socially responsible investment criteria. Each Selection List will have to be amended and approved prior to the semi annual re-weighting date.

On the index launch date or the re-weighting date, the top 4 Qualifying Share Companies in each Sector Selection List using the above ranking are included in the Index, and the respective weights of each index components is calculated by dividing the weighting given to a particular Sector by the number of index components who share the same Sector.

The value of the index (the “**Index Value**”) is calculated once a day on every business day. The Index Value is the weighted total of all the shares in the basket multiplied by the price of each share. All distributions made by a share company shall be notionally reinvested proportionally according to each share’s weight in the Index in order to preserve the initial weighting given to the stock of each share company included in the Index. The index calculator will calculate and publish the level of the Index once a day.

The index components will initially be equal weighted inside each Sector, with the Sector weights determined by the index calculator fixed on the index launch date and evolving with the Sector market Capitalisation, being for each Sector, the sum of the market capitalisations of the index components within such Sector.

Following the initial composition of the Index on the index launch date, the index calculator will, on each re-weighting date, review the notional composition of the Index and re-weight the index components (each such procedure a “**Re-weighting**”) subject to the requirement that each of the newly selected share meet the Selection Criteria. The index components shall be notionally re-weighted with effect from the semi annual re-weighting date. The basis for a re-weighting shall be the prices of the shares from the re-weighting date.

In the case where less than 4 companies in a Sector meet the Selection Criteria, there will be less than 4 companies included in the Index for this Sector. In the case where no company in a specific Sector meets the Selection Criteria, this Sector will not be included.

The Index shall comprise at any time 15 shares and ceases to be calculated if there are less than 15 Qualifying Share Companies. The index components shall also represent, at any time, a minimum of 5 Sectors and ceases to be calculated if it, at any time, is representative of less than 5 out of the 8 Sectors.

The information above is a description of the methodology and material rules and risks relating to the Index. The Selection Criteria indicate the key criteria which must be fulfilled for inclusion in the Index, but is not intended to be exhaustive. The Index Sponsor makes no representation or warranty that the Index will achieve its stated investment objectives.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the offer period (if any) to the relevant maturity date upon request at the offices of the Index Sponsor at The Royal Bank of Scotland N.V. 250 Bishopsgate, London, EC2M 4AA. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

The Index is the intellectual property of the Index Sponsor.

## **RBS Water Stocks Index (USD) TR (the “Index”)**

The Index is based on a methodology (the “**Index Rules**”) developed by The Royal Bank of Scotland N.V. (the “**Index Sponsor**”).

The Index is initially equally weighted and tracks 10 companies which derive at least 45% of their revenues from servicing water or activities linked to water such as, inter alia, sanitation, delivery, cleaning, transportation, packaging, storage, pumping and water metering (each a “**Water Related Company**” and together “**Water Related Companies**”), including RWE AG, and Suez SA which have been initially included due to their importance of water business each conducts on a global level.

The index calculator will make determinations as regards the securities which are eligible for inclusion within the Index on the basis of certain criteria and will determine the quantity of such securities to be included. In addition to being a Water Related Company, each issuer of a security must have a total market capitalisation of minimum USD 500,000,000 or the equivalent amount in another currency calculated by applying the exchange rate and a 3 month average daily turnover of greater than USD 7,500,000 (the “**Selection Criteria**”).

On the index launch date the Index will initially comprise the shares (the “**Shares**”) of 10 companies (each a “**Share Company**” and together “**Share Companies**”) as selected by the index calculator on the index launch date (each an “**Index Component**” and together the “**Index Components**”). If a stock is covered by analysts, the percentage of “Buy” and “Hold” Analyst recommendations (ANR) for such a stock shall be at least 50% of total recommendations.

The value of the index (“**Index Value**”) is calculated once a day on every business day. The Index Value is the weighted total of all the shares in the basket multiplied by the price of each share. All distributions made by a share company shall be notionally reinvested proportionally according to each share’s weight in the Index in order to preserve the weighting given to the stock of each share company included in the Index. The index calculator will calculate and publish the level of the Index once a day.

Following the initial composition of the Index on the index launch date, the index calculator will, on each re-weighting date, review the notional composition of the Index and re-weight the Index Components subject to the requirement that each of the newly selected Shares meet the Selection Criteria. The Index Components shall be notionally re-weighted with effect from the annual re-weighting date. The basis for the re-weighting shall be the prices of the Shares from re-weighting date taking into account the relevant exchange rate if necessary.

The Index shall comprise at any time of at least seven “**Qualifying Share Companies**” (meaning a company which is the issuer of a “**Qualifying Share**”, which is any security which complies with the Selection Criteria) and ceases to exist if there are less than seven Qualifying Share Companies eligible.

The Index is geographically diversified containing companies listed in the US, UK, France, Germany and Switzerland at the Index launch date.

The information above is a description of the methodology and material rules and risks relating to the Index. The Selection Criteria indicate the key criteria which must be fulfilled for inclusion in the Index, but is not intended to be exhaustive. The Index Sponsor makes no representation or warranty that the Index will achieve its stated investment objectives.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the offer period (if any) to the relevant maturity date upon request at the offices of the Index Sponsor at The Royal Bank of Scotland N.V. 250 Bishopsgate, London, EC2M 4AA. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

The Index is the intellectual property of the Index Sponsor.

## **RBS India ADR/GDR Index (USD) TR (the “Index”)**

The Index is based on a methodology (the “**Index Rules**”) developed by The Royal Bank of Scotland N.V. (the “**Index Sponsor**”).

The Index is initially equally weighted and tracks the 10 most liquid Indian ADR’s or GDR’s, as determined in the reasonable discretion of the Index Calculator (each an “**India ADR/GDR Related Company**” and together “**India ADR/GDR Related Companies**”).

The index calculator will make determinations as regards the securities which are eligible for inclusion within the Index on the basis of certain criteria and will determine the quantity of such securities to be included. In addition to being a India ADR/GDR Related Company, each issuer of a security must have a total market capitalisation of minimum USD 100,000,000 or the equivalent amount in another currency calculated by applying the exchange rate and an average daily turnover of greater than USD 1,000,000 (calculated on the basis of the last three months) (the “**Selection Criteria**”).

The value of the index (the “**Index Value**”) is calculated once a day on every business day. The Index Value is the weighted total of all the shares in the basket multiplied by the price of each share. All distributions made by a share company shall be notionally reinvested proportionally according to each share’s weight in the Index in order to preserve the weighting given to the stock of each share company included in the Index. The index calculator will calculate and publish the level of the Index once a day.

The index components will be initially equally weighted (each “**Share Company**” (being the companies included in the Index) at 10%) in the Index based on the price of the index components on the Index launch date.

The Index shall be re-weighted equally with effect from the annual re-weighting date. The shares of the largest India ADR/GDR Related Companies by market capitalisation that meet the Selection Criteria will be included in the Index. The basis for the re-weighting shall be the prices of the shares from the annual re-weighting date taking into account the relevant exchange rate if necessary.

The Index shall comprise at any time of at least seven “**Qualifying Share Companies**” (meaning each company which complies with the Selection Criteria and which for the time being is included in the Index) and ceases to exist if there are less than seven Qualifying Share Companies eligible.

The information above is a description of the methodology and material rules and risks relating to the Index. The Selection Criteria indicate the key criteria which must be fulfilled for inclusion in the Index, but is not intended to be exhaustive. The Index Sponsor makes no representation or warranty that the Index will achieve its stated investment objectives.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the offer period (if any) to the relevant maturity date upon request at the offices of the Index Sponsor at The Royal Bank of Scotland N.V. 250 Bishopsgate, London, EC2M 4AA. Investors should note that this description of

the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

The Index is the intellectual property of the Index Sponsor.

## **RBS Volatility Controlled High Yield Bond Strategy 2 (the “Index”)**

The Index is calculated and maintained by The Royal Bank of Scotland plc (the “**Calculation Agent**”).

The Index is developed by The Royal Bank of Scotland plc (the “**Index Sponsor**”) based on the rules and methodology explained in this description, as amended from time to time.

The Index aims to track a notional strategy that applies a volatility control overlay to a basket of bond funds (together, the “**Basket of Funds**”). The Basket of Funds is initially composed of four funds (each a “**Fund**”, and together, the “**Funds**”).

The level of the Index (“**Index Level**”) is determined, on each calculation date in reference to the index return reduced by a return adjustment (the “**Excess Return Adjustment**”). The Excess Return Adjustment is set to an annualised rate of 1.65%.

The index return is calculated principally based on the daily valuations of the Basket of Funds, the Index’s exposure to the Basket of Funds and/or the cash allocation, the interest rate and the spread. The values of these variables will in turn be determined in accordance with the methodology of the Index and be subject to the volatility control overlay and stop-loss mechanism.

The purpose of the volatility control overlay is to dynamically adjust exposure to the Basket of Funds based on the Maximum Fund Basket Volatility.

The “**Maximum Fund Basket Volatility**” in respect of the Basket of Funds is determined on each “**Calculation Date**” (being each day on which at least one Fund publishes the net asset value of the Fund as determined by the Calculation Agent) as the highest Realised Volatility observed in respect of the Calculation Date two days prior to the current Calculation Date (“**Calculation Date-2**”) and the four immediately preceding Calculation Dates to Calculation Date-2.

The “**Realised Volatility**” in respect of a Calculation Date is a measure of how much the daily returns of the Fund Basket Value (the “**Fund Basket Value**” is calculated by multiplying the initial value of the Basket of Funds by the sum of the net asset values of each of the Funds on each Calculation Date divided by the initial net value of each Fund multiplied by the weight given to each Fund) have fluctuated around their average over a defined time period. The time period for the returns is taken to be twenty one (21) consecutive historical Calculation Dates ending on the relevant Calculation Date. The average is calculated as the arithmetic mean.

The fund basket allocation (the “**Fund Basket Allocation**”) provides for the Index to have exposure to the Basket of Funds within a range from a minimum of 0% to a maximum of 150%. The Fund Basket Allocation is determined according to the range that the Maximum Fund Basket Volatility falls within. Generally, as the Maximum Fund Basket Volatility increases, the Fund Basket Allocation to the Basket of Funds decreases, while if the Maximum Fund Basket Volatility decreases, the Fund Basket Allocation to the Basket of Funds increases.

If the Maximum Fund Basket Volatility has increased above a certain level causing the notional exposure to the Basket of Funds to fall below 100%, the percentage difference (in absolute terms) between 100% and the actual exposure to the Basket of Funds will be allocated to a notional cash account, which will accrue interest at the interest rate (which is the USD overnight rate for the previous Calculation Date). The minimum exposure to the Basket of Funds is 0%, meaning that the maximum exposure allocated to the notional cash account is 100%.

If the Maximum Fund Basket Volatility has decreased below a certain level causing the notional exposure to the Basket of Funds to rise above 100%, the percentage difference between 100% and 150% (in absolute terms) will instead be funded by notionally borrowing cash at the Net Interest Rate (the “**Net Interest Rate**”, for the purposes of funding, is calculated by adding a spread of 125 basis points per annum to the interest rate). The maximum exposure to the Basket of Funds is 150%, meaning that the maximum exposure which would be funded by notionally borrowing cash is 50%.

If the sum of the Fund Basket Returns over a period of 5 calculation days is negative and the Fund Basket volatility has increased above a certain level, then a stop-loss trigger is activated causing the notional exposure to the Basket of Funds to be set to zero and a 100% exposure to a notional cash account. Following a stop loss event, the Index can only regain exposure to the Basket of Funds when the Index methodology deems that a positive trend is detected. To determine whether there is a positive trend, a 20-day moving average is monitored against the Fund Basket Value. When the Fund Basket Value is above the 20-day moving average, the Index deems that there is a positive trend and can re-instate the exposure to the Basket of Funds. If a stop-loss trigger is activated, the Index will not be exposed to the Basket of Funds for at least 10 Calculation Dates. The minimum exposure to the Basket of Funds is 0%, meaning that the maximum exposure allocated to the notional cash account is 100%.

Each Fund has a target weight and the Index is rebalanced on the 14th calendar day of February, May, August and November in each year (each a “**Rebalancing Date**”) so that the notional exposure to the underlying Funds meets the target weights. If the Rebalancing Date is not a calculation day, then the Rebalancing Date will be the next following calculation day which is not a disrupted day. Between each Rebalancing Date, the value of the Fund shares may increase or decrease in differing amounts. Therefore, the Index’s notional exposure to the Funds shares may not match the target weights from one Rebalancing Date to another Rebalancing Date. Only on each Rebalancing Date will the Index be notionally rebalanced intending to achieve the target weights.

It is not expected, as of the publication date, that any dividends will be payable in respect of the Funds. However, if any dividend proceeds are received, those proceeds (net of tax and all costs) will be reinvested into the relevant Fund as soon as reasonably practical and the Index Level will be adjusted accordingly.

The Index Level will be calculated in respect of each day on which at least one Fund publishes the Fund net asset value and/or such other days as may be determined by the Calculation Agent in its sole and absolute discretion. The Calculation Agent will calculate the Index in respect of a Calculation Date at the Valuation

Time and publish the Index Level in respect of such Calculation Date at the Publication Time. The “**Valuation Time**” (09:00 London time) and “**Publication Time**” (16:00 London time) in respect of a Calculation Date both occur on the same day which is two calculation days following Calculation Date. Because Fund net asset values are only available in arrears and may be delayed, the most recently published Fund net asset value may be used to calculate the Index for a certain Calculation Date. In limited circumstances, the publication of the Index Level may be delayed.

The information contained in this description describes the methodology and material rules and risks relating to the Index. This information is subject to change. The Index Sponsor makes no representation or warranty that the Index will achieve its stated investment objectives.

In some circumstances the Index Sponsor may modify the calculation of the Index without consent and change these rules.

The Index is the intellectual property of the Index Sponsor.

## **RBS VC Bond Funds Basket Index 1 (USD) ER 6% (the “Index”)**

The Index is calculated and maintained by The Royal Bank of Scotland plc (the “**Calculation Agent**”). The Index is developed by The Royal Bank of Scotland plc (the “**Index Sponsor**”) based on the rules and methodology explained in the description, as amended from time to time.

The Index aims to track a notional strategy that applies a volatility control overlay to a basket of bond funds (together, the “**Basket of Funds**”). The Basket of Funds is initially composed of five funds (each a “**Fund**”, and together, the “**Funds**”).

The purpose of the volatility control overlay is to dynamically adjust exposure to the Basket of Funds based on the Maximum Fund Basket Volatility.

The “**Maximum Fund Basket Volatility**” in respect of the Basket of Funds is determined on each “**Calculation Date**” (being each day on which at least one Fund publishes the net asset value of the Fund as determined by the Calculation Agent) as the highest Realised Volatility observed in respect of the Calculation Date two days prior to the current Calculation Date (“**Calculation Date-2**”) and the four immediately preceding Calculation Dates to Calculation Date-2.

The “**Realised Volatility**” in respect of a Calculation Date is a measure of how much the daily returns of the value of the Basket of Funds have fluctuated around their average over a defined time period. The time period for the returns is taken to be twenty one (21) consecutive historical Calculation Dates ending on the relevant Calculation Date. The average is calculated as the arithmetic mean.

The “**Fund Basket Allocation**” provides for the Index to have exposure to the Basket of Funds within a range from a minimum of 0% to a maximum of 150%. The Fund Basket Allocation is determined according to the range that the Maximum Fund Basket Volatility falls within. Generally, as the Maximum Fund Basket Volatility increases the exposure to the Basket of Funds decreases and vice versa.

If the Maximum Fund Basket Volatility has increased above a certain level causing the notional exposure to the Basket of Funds to fall below 100%, the percentage difference (in absolute terms) between 100% and the actual exposure to the Basket of Funds will be allocated to a notional cash account, which will accrue interest daily at the “**Interest Rate**” (which is the USD overnight rate for the previous Calculation Date). The minimum Fund Basket Allocation is 0%, meaning that the maximum exposure allocated to the notional cash account is 100%.

If the Maximum Fund Basket Volatility has decreased below a certain level causing the Fund Basket Allocation to rise above 100%, the percentage difference between 100% and 150% (in absolute terms) will be funded by notionally borrowing cash at the “**Net Interest Rate**” (which, for the purposes of funding, is calculated by adding a spread of 125 basis points per annum to the Interest Rate). Interest for such notional cash borrowing is accrued daily. The maximum exposure to the Basket of Funds is 150%, meaning that the maximum exposure which would be funded by notionally borrowing cash is 50%.

The level of the Index is determined, on each calculation date in reference to the Index Return reduced by a return adjustment (the “**Excess Return Adjustment**“). The Excess Return Adjustment is set to an annualised rate of 1.95%.

Each Fund has a target weight and the Index is rebalanced on the 11th calendar day of March, June, September and December in each year (each a “**Rebalancing Date**”) so that the notional exposure to the underlying Funds meets their respective target weights. If the Rebalancing Date is not a calculation day, then the Rebalancing Date will be the next following calculation day unless such Calculation Date to be a disrupted day. Between each Rebalancing Date, the value of the Fund shares may increase or decrease in differing amounts. Therefore, the Index’s notional relative exposure to the different Funds shares may not match the target weights from one Rebalancing Date to another Rebalancing Date. Only on each Rebalancing Date will the Index be notionally rebalanced intending to achieve the target weights.

If a Fund has less than USD 1 billion assets under management, the Index Sponsor, acting in conjunction with the Calculation Agent, may, but is not obliged, substitute the affected Fund with an alternative fund that is substantially similar to the affected Fund.

It is not expected, as of the original publication date of the Index (11th April 2012), that any dividends will be payable in respect of the Funds. However, if any dividend proceeds are received, those proceeds (net of tax and all costs) will be reinvested into the relevant Fund as soon as reasonably practical and the value of the Index (the “**Index Level**”) will be adjusted accordingly.

The Index Level will be calculated in respect of each day on which at least one Fund publishes the Fund net asset values (“**Fund NAVs**”) and/or such other days as may be determined by the Calculation Agent in its sole and absolute discretion (each, a “**Calculation Date**”). The Calculation Agent will calculate the Index in respect of a Calculation Date at the Valuation Time and publish the Index Level in respect of such Calculation Date at the Publication Time. The “**Valuation Time**” (09:00 London time) and “**Publication Time**” (16:00 London time) in respect of a Calculation Date both occur on the same day which is two calculation days following Calculation Date. Because Fund NAVs are only available in arrears and may be delayed, the most recently published Fund NAV may be used to calculate the Index for a certain Calculation Date. In limited circumstances, the publication of the Index Level may be delayed.

Costs and expenses incurred by the Index Sponsor in connection with obtaining exposure to the underlying Funds may be deducted from the Index on a daily basis and may reduce the performance of the Index Level.

The information contained in this description describes the methodology and material rules and risks relating to the Index. This information is subject to change. The Index Sponsor makes no representation or warranty that the Index will achieve its stated investment objectives.

In some circumstances, the Index Sponsor may modify the calculation of the Index without consent and change these rules.

The Index is the intellectual property of the Index Sponsor.



### **RBS VC TVI Index (USD) ER 10% (the “Index”)**

The Index is calculated by RBS Business Services Private Limited (the “**Calculation Agent**”) based on a methodology developed by The Royal Bank of Scotland plc (the “**Index Sponsor**”). The Index was first calculated on or around 28 August 2009 (the “**Live Date**”). The Index is denominated in USD (the “**Base Currency**”).

The Index aims to track a risk-stabilised notional Index linked to the component comprising the Index (the “**Constituent**”). This is achieved by varying the exposure to the Constituent on a daily basis, depending on the maximum realised historical volatility (“**Maximum Realised Historic Volatility**”) of the Constituent. In summary, if the level of the Maximum Realised Volatility has increased to an amount equal to or above a certain level, the exposure to the Constituent will be decreased, and if the Maximum Realised Volatility has decreased below a certain level, exposure to the Constituent will be increased.

The Constituent reflects the performance of the Underlying following the deduction of an access cost which represents the costs charged and expenses incurred by the Index Sponsor to maintain the Index. The Underlying is a published index, the Trader Vic Index Excess Return (Bloomberg page TVICER Index).

The Index shall be calculated at the “**Valuation Time**” (being the time at which prices for all Underlyings are available on the relevant exchanges) on each scheduled trading day (each such day being a “**Calculation Date**”).

The information above is a description of the methodology and material rules relating to the Index. The Index Sponsor makes no representation or warranty that the Index will achieve its stated investment objectives.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the offer period (if any) to the relevant maturity date upon request at the offices of the Index Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London, EC2M 4AA. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

The Index is the intellectual property of the Index Sponsor.

### **RBS UK Autopilot Index (GBP) PR (the “Index”)**

The Index is calculated by RBS Business Services Private Limited (the “**Calculation Agent**”) based on a methodology developed by The Royal Bank of Scotland plc (the “**Index Sponsor**”). The Index was first calculated on or around 15 May 2009 (the “**Live Date**”). The Index is denominated in GBP (the “**Base Currency**”).

The Index aims to track the return of a notional strategy that allocates between the following five constituents which may be comprised of one or more underlyings:

- (a) An equally-weighted basket of the FTSE 100 Index, S&P 500 Index, Nikkei 225 Stock Average and the DJ EUROSTOXX 50 (Price) Index (“**Constituent 1**”);
- (b) iShares MSCI Emerging Market Index Fund (“**Constituent 2**”);
- (c) DJ AIG Commodity Excess Return Index (“**Constituent 3**”);
- (d) FTSE EPRA/NAREIT Europe Index (“**Constituent 4**”);and
- (e) the UK Retail Prices Index which is entitled “**All Items NSA Inflation Index**” (the “**Inflation Index**” or “**Constituent 5**” and Constituents 1, 2, 3, 4 and 5 shall be collectively referred to as the “**Constituents**”).

On or around the first calendar day of each month (“**Rebalancing Date**”) the Calculation Agent will rebalance the weight allocated to a Constituent and such weight will be effective following the Rebalancing Date. The weight to be allocated to each Constituent will be determined with reference to the value of each Constituent 1, 2, 3 and 4 taken on the first calculation date immediately preceding each Rebalancing Date (“**Determination Date**”).

On each Determination Date, the value of Constituents 1, 2, 3 and 4 will each be compared to its respective monthly average value over the preceding 12 months (the “**Moving Average**”). If the relevant value of Constituent 1, 2, 3 and 4 is greater than its respective Moving Average, the Calculation Agent will allocate a weight of 25% of the notional value of the Index to such Constituent from the day immediately following the Rebalance Date up to and including the immediately following Rebalancing Date. Otherwise, the Calculation Agent shall allocate a weight of 25% of the notional value of the Index to the Inflation Index. Hence, each of Constituent 1, 2, 3 and 4 can have a weight of either 0% or 25% and Constituent 5 can have a weight of either 0%, 25%, 50%, 75% or 100%. In total, the weights shall sum to 100%.

In any monthly performance period which will commence on the day immediately following a Rebalancing Date and end on the following Rebalancing Date (“**Monthly Performance Period**”), the monthly return of each Constituent shall be determined by the Calculation Agent from the start of the Monthly Performance Period until the end of the Monthly Performance Period. With respect to Constituents 1, 2, 3 and 4 the monthly return shall be capped at 7.00% and with respect to the Inflation Index, the monthly return will be fixed at one-twelfth of the annual return of the Inflation Index.

The information above is a description of the methodology and material rules relating to the Index. The Index Sponsor makes no representation or warranty that the Index will achieve its stated investment objectives.

A copy of the Index Rules relating to the Index will be available for review from the beginning of the offer period (if any) to the relevant maturity date upon request at the offices of the Index Sponsor at The Royal Bank of Scotland plc, 250 Bishopsgate, London, EC2M 4AA. Investors should note that this description of the Index Rules is subject to the detailed provisions of the Index Rules. In order to obtain the Index Rules, an investor may need to give certain non-disclosure representations to the Index Sponsor.

Investors should note that the Index Rules are subject to change from time to time. In certain circumstances, the Index Sponsor can change the method of calculating the Index, or may discontinue or suspend calculation or dissemination of the Index which could affect the return or principal amount paid on the Securities.

The Index is the intellectual property of the Index Sponsor.

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## CONDITIONS: GENERAL CONDITIONS

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***The General Conditions which follow relate to the Securities and must be read in conjunction with, and are subject to, the Product Conditions and the Final Terms. The Final Terms, the Product Conditions and the General Conditions together constitute the Conditions of the Securities and will be printed on any Definitive Securities and attached to any Global Security representing the Securities.***

1. DEFINITIONS

Terms in capitals which are not defined in these General Conditions shall have the meanings ascribed to them in the Product Conditions or the applicable Final Terms and, if not so defined, shall be inapplicable. References in these General Conditions to interest and Coupons (and related expressions) shall be ignored in the case of Securities which do not bear interest. References in these General Conditions to the Conditions shall mean these General Conditions and, in relation to any Securities, the Product Conditions applicable to those Securities.

2. STATUS

The Securities constitute unsecured and unsubordinated obligations of the Issuer and rank *pari passu* among themselves and with all other present and future unsecured and unsubordinated obligations of the Issuer save for those preferred by mandatory provisions of law.

3. EARLY TERMINATION

- (a) The Issuer shall have the right to terminate the Securities if it shall have determined in its absolute discretion that its performance thereunder shall have become unlawful in whole or in part as a result of compliance in good faith by the Issuer with any applicable present or future law, rule, regulation, judgement, order or directive of any governmental, administrative, legislative or judicial authority or power (“Applicable Law”). In such circumstances the Issuer will, however, if and to the extent permitted by the Applicable Law, pay to each Holder in respect of each Security held by such Holder an amount calculated by it as the fair market value of the Security immediately prior to such termination (ignoring such illegality) less the cost to the Issuer of unwinding any related hedging arrangements. Payment will be made to the Holder in such manner as shall be notified to the Holder in accordance with General Condition 4.
- (b) The Issuer shall have the right to terminate the Securities if it shall have determined in its absolute discretion that payments made on the Securities are, in whole or in part, directly or indirectly contingent upon, or determined by reference to, the payment of a dividend from a U.S. entity and that these payments have or will become subject to U.S. withholding tax. In

such circumstances the Issuer will, however, if and to the extent permitted by the Applicable Law, pay to each Holder in respect of each Security held by such Holder an amount calculated by it as the fair market value of the Security immediately prior to such termination less the cost to the Issuer of unwinding any related hedging arrangements and of paying any required U.S. withholding tax. Payment will be made to the Holder in such manner as shall be notified to the Holder in accordance with General Condition 4.

#### 4. NOTICES

- (a) With respect to Securities other than Securities cleared through CREST, Notices to Holders shall be given by the delivery of the relevant notice to the Clearing Agent(s) with an instruction from the Issuer to the Clearing Agent(s) to communicate such notice to the Holders. Where Securities are cleared through CREST, notices to Holders shall be given by the delivery of the relevant notice to the Registrar for communication to the Holders pursuant to the procedures for delivery of notices to accountholders in CREST as may be agreed between the Issuer, the Registrar and the Operator from time to time. The Issuer shall also ensure that notices are duly published, to the extent required, in a manner which complies (i) with the rules of any stock exchange or other relevant authority on which the Securities are for the time being listed or in the country in which such Securities have been admitted to trading and (ii) with any relevant legislation.
- (b) Any such notice issued pursuant to General Condition 4(a) by being delivered to the Clearing Agent(s) or the Registrar for communication to the Holders, as applicable, will be deemed to have been given on the date of the delivery of such notice to the Clearing Agent(s) or the Registrar, as applicable. Any such notice issued pursuant to General Condition 4(a) by being published will be deemed to have been given on the date of the first publication (for the avoidance of doubt, such notice having been published by any valid means) or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

#### 5. HEDGING DISRUPTION

- (a) Notification. The Issuer shall as soon as reasonably practicable give instructions to the Calculation Agent to notify the Holders in accordance with General Condition 4(a): (i) if it determines that a Hedging Disruption Event has occurred; and (ii) of the consequence of such Hedging Disruption Event as determined by the Issuer pursuant to General Condition 5(c).
- (b) Hedging Disruption Event. A “**Hedging Disruption Event**” shall occur if the Issuer, acting in good faith and in a commercially reasonable manner, determines that it is or has become not reasonably practicable or it has otherwise become undesirable, for any reason, for the

Issuer or any Hedge Provider wholly or partially to (i) hold, acquire, establish, re-establish, substitute, maintain, unwind or dispose of a relevant hedging transaction (a “**Relevant Hedging Transaction**”) or asset it deems necessary, appropriate or desirable to hedge the Issuer’s obligations in respect of the Securities or (ii) realise, recover or remit the proceeds of any such transaction(s) or asset(s). The reasons for such determination by the Issuer may include, but are not limited to, the following:

- (i) the Issuer or any Hedge Provider will, whether directly or indirectly, incur a material increase (as compared with circumstances existing on the Issue Date) in the amount of tax, duty, expense (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position) or fee (other than brokerage commissions) provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer or the Hedge Provider shall not be considered for the purposes of this subparagraph (i); or
- (ii) any material illiquidity in the market for, or any mandatory redemption in whole or in part of, the relevant instruments (the “**Disrupted Instrument**”) which from time to time are included in the reference asset to which the Securities relate; or
- (iii) a change in any applicable law or regulation (including, without limitation, any tax law) or the promulgation of, or change in, the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority); or
- (iv) a material decline in the creditworthiness of a party with whom the Issuer has entered into any such Relevant Hedging Transaction; or
- (v) the general unavailability of: (A) market participants who will agree to enter into a Relevant Hedging Transaction; or (B) market participants who will so enter into a Relevant Hedging Transaction on commercially reasonable terms.

In the Conditions:

“**Hedge Position**” means any purchase, sale, entry into or maintenance of one or more (i) positions or contracts in reference assets to which the Securities relate, securities, options, futures, derivatives or foreign exchange, (ii) securities lending transactions or (iii) other instruments or arrangements (however described) by the Issuer in order to hedge the Issuer’s risk of issuing, and performing its obligations with respect to, the Securities; and

“**Hedge Provider**” includes but is not limited to the Issuer, any associate, subsidiary or affiliate thereof and/or any other party(ies) and/or any special purpose vehicle(s) holding or entering into a Hedge Position in connection with the Issuer’s hedging arrangements in respect of the Securities.

- (c) Consequences. The Issuer, in the event of a Hedging Disruption Event, may determine to:
- (i) terminate the Securities. In such circumstances the Issuer will, however, if and to the extent permitted by the Applicable Law, pay to each Holder in respect of each Security held by such Holder an amount calculated by it as the fair market value of the Security immediately prior to such termination less the cost to the Issuer of unwinding any related hedging arrangements. Where the Securities contain provisions which provide a minimum assured return of principal, howsoever expressed, on the Settlement Date or Maturity Date (as defined in the relevant Product Conditions, or otherwise, a date that is the Settlement Date) as applicable, or a minimum assured return of interest or coupons, howsoever expressed, on a relevant Interest Payment Date (if applicable), any such amount to be paid under this General Condition shall not be less than the present value of such minimum assured return of principal and/or interest or coupons having regard to prevailing market rates, credit spreads and market liquidity, such present value being determined by the Calculation Agent. Payment will be made to the Holder in such manner as shall be notified to the Holder in accordance with General Condition 4;
  - (ii) make an adjustment in good faith to the relevant reference asset by removing the Disrupted Instrument at its fair market value (which may be zero). Upon any such removal the Issuer may: (A) hold any notional proceeds (if any) arising as a consequence thereof and adjust the terms of payment and/or delivery in respect of the Securities; or (B) notionally reinvest such proceeds in other reference asset(s) if so permitted under the Conditions (including the reference asset(s) to which the Securities relate);
  - (iii) make any other adjustment to the Conditions as it considers appropriate in order to maintain the theoretical value of the Securities after adjusting for the relevant Hedging Disruption Event. Where the Securities contain provisions which provide a minimum assured return of principal, howsoever expressed, on the Settlement Date or Maturity Date as applicable, or a minimum assured return of interest or coupons, howsoever expressed, on a relevant Interest Payment Date, any such adjustment will in no way affect the Issuer's obligations to make payment to the Holders not less than the minimum assured return of principal and/or interest or coupons on the relevant Settlement Date or Maturity Date, or Interest Payment Date, as applicable.
- (d) The Issuer may also make adjustments to the Conditions if it determines that an event has occurred which, whilst not a Hedging Disruption Event or other disruption event as specified in Product Condition 4, is likely to have a material adverse effect on the Issuer's Hedge Position. Where the Issuer makes adjustments to the Conditions pursuant to this General

Condition 5(d), the Issuer shall notify the Holders thereof and shall offer to purchase from Holders for a period of not less than 10 days any Securities held by them at their fair market value (as determined by the Calculation Agent acting in good faith and in a commercially reasonable manner and taking into account the proposed adjustment) less the cost to the Issuer of unwinding any Relevant Hedging Transaction.

6. PURCHASES, FURTHER ISSUES BY THE ISSUER AND PRESCRIPTION

- (a) Purchases. The Issuer or any affiliate may purchase Securities at any price in the open market or by tender or private treaty. Any Securities so purchased may be held, surrendered for cancellation or reissued or resold, and Securities so reissued or resold shall for all purposes be deemed to form part of the original series of Securities.
- (b) Further Issues. The Issuer shall be at liberty from time to time without the consent of the Holders or any of them to create and issue further securities so as to be consolidated with and form a single series with the Securities.
- (c) Prescription. Any Security or Coupon which is capable of presentation and is not so presented by its due date for presentation shall be void, and its value reduced to zero, if not so presented within five years of such due date. For the avoidance of doubt, any Securities which are subject to provisions relating to their exercise shall be void, and their value shall be zero, if not exercised in accordance with their provisions.

7. DETERMINATIONS AND MODIFICATIONS

- (a) Determinations.
  - (i) In making any determinations and calculations under these Conditions, the Issuer and the Calculation Agent shall act at all times in good faith and in a commercially reasonable manner. All such determinations and calculations by the Issuer and the Calculation Agent shall, in the absence of manifest error, be final and binding.
  - (ii) Whilst it is intended that the Issuer and the Calculation Agent will employ the methodology described in the Conditions to make determinations in respect of the Securities, no assurance can be given that market, regulatory, judicial or fiscal circumstances or, without limitation, any other circumstances will not arise that would necessitate a modification or change in such methodology in order that the Securities replicate as closely as possible investments in the assets underlying the Securities and its components. The Issuer and the Calculation Agent may make any such modification or change to such methodology that it considers necessary to reflect such circumstances.

- (iii) Calculations made by the Issuer or the Calculation Agent in respect of the Securities shall be made on the days specified herein; however, notwithstanding the foregoing or anything else contained in these Conditions, should the Issuer or the Calculation Agent determine that in order to give effect to the methodology described in these Conditions it is necessary to make calculations on a day or days other than that specified, then each of the Issuer and the Calculation Agent is permitted to make such calculations on such calendar day or days as it shall determine.
  - (iv) Due to timing considerations, process requirements and other matters that would, in the opinion of the Issuer or the Calculation Agent, be relevant in relation to the implementation of asset allocation models, the Issuer or the Calculation Agent may need to make appropriate adjustments to the methodology set out in the Conditions as it considers necessary in order to reflect the timing and amounts that would be applicable were the Issuer or the Calculation Agent physically implementing the methodology set out in the Securities.
- (b) Modifications. The Issuer may, without the consent of the Holders or any of them, modify any provision of the Conditions which is: (i) of a formal, minor or technical nature; (ii) made to correct a manifest error, proven error or defective provision, as determined by the Issuer; or (iii) in its absolute discretion, not materially prejudicial to the interests of the Holders. Notice of any such modification will be given to the Holders in accordance with General Condition 4 but failure to give, or non-receipt of, such notice will not affect the validity of any such modification.

## 8. SUBSTITUTION

- (a) Substitution of Issuer. The Issuer may at any time without the consent of the Holders substitute for itself as issuer of the Securities with regard to any and all rights, obligations and liabilities under and in connection with the Securities:
- (i) any entity which (i) acquires all or substantially all of the undertaking and/or assets of the Issuer or (ii) acquires the beneficial ownership of the whole of the issued voting stock and/or share capital of the Issuer or (iii) into which the Issuer is amalgamated, merged or reconstructed and where the Issuer is not the continuing company (such entity, a “**Successor in Business**” or the “**Substitute**”) subject to the Issuer having given at least 30 days prior notice of the date of such substitution to the Holders in accordance with General Condition 4; or
  - (ii) the holding company (if any) of the Issuer (or otherwise the ultimate holding company for the time being of the Issuer if any) (the “**Holding Company**” or the “**Substitute**”) or a subsidiary of the Issuer (a “**Subsidiary Company**” or the

“**Substitute**”) subject to the Issuer having given at least 30 days’ prior notice of the date of such substitution to the Holders in accordance with General Condition 4; or

- (iii) any entity other than a Successor in Business, the Holding Company or a Subsidiary Company (also, the “**Substitute**”), subject to the Issuer having given at least 30 days’ prior notice of the date of such substitution to the Holders in accordance with General Condition 4; and the Issuer having issued a legal, valid and binding guarantee of the obligations and liabilities of the Substitute under the Securities for the benefit of each and any of the Holders,

and in each case subject to all actions, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Securities represent legal, valid and binding obligations of the Substitute having been taken, fulfilled and done and being in full force and effect.

In the event of any substitution of the Issuer, any reference in the Conditions to the Issuer shall from such time be construed as a reference to the Substitute.

- (b) Substitution of Office. The Issuer shall have the right upon notice to the Holders in accordance with General Condition 4 to change the office through which it is acting and shall specify the date of such change in such notice.

## 9. TAXATION

The Issuer shall not be liable for or otherwise obliged to pay any tax, duty, withholding or other similar payment which may arise as a result of the ownership, transfer or exercise of any Securities. In relation to each Security the relevant Holder shall pay all Expenses as provided in the Product Conditions. All payments or, as the case may be, deliveries in respect of the Securities will be subject in all cases to all applicable fiscal and other laws and regulations (including, where applicable, laws or agreements with any governmental authority requiring the deduction or withholding for, or on account of, any tax duty or other charge whatsoever). The Holder shall be liable for and/or pay any tax, duty or charge in connection with the ownership of and/or any transfer, payment or delivery in respect of the Securities held by such Holder. The Issuer shall have the right, but shall not be obliged, to withhold or deduct from any amount payable such amount, as shall be necessary to account for or to pay any such tax, duty, charge, withholding or other payment.

## 10. REPLACEMENT OF SECURITIES AND COUPONS

If any Security or Coupon is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Agent (or such other place of which notice shall have be given to Holders in accordance with General Condition 4) upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Securities and Coupons must be surrendered before

replacements will be issued. This General Condition will not apply to Securities issued in dematerialised form.

#### 11. ADJUSTMENTS FOR EUROPEAN MONETARY UNION

- (a) Redenomination. The Issuer may, without the consent of any Holder, on giving notice to the Holders in accordance with General Condition 4 elect that, with effect from the Adjustment Date specified in such notice, certain terms of the Securities shall be redenominated in euro. The election will have effect as follows:
- (i) where the Settlement Currency is the National Currency Unit of a country which is participating in the third stage of European Economic and Monetary Union pursuant to the Treaty, such Settlement Currency shall be deemed to be an amount of euro converted from the original Settlement Currency into euro at the Established Rate, subject to such provisions (if any) as to rounding as the Issuer may decide and as may be specified in the notice, and after the Adjustment Date, all payments in respect of the Securities will be made solely in euro as though references in the Securities to the Settlement Currency were to euro;
  - (ii) where the Conditions contain a rate of exchange or any of the Conditions are expressed in a National Currency Unit (the “**Original Currency**”) of a country which is participating in the third stage of European Economic and Monetary Union pursuant to the Treaty, such rate of exchange and/or any other terms of the Conditions shall be deemed to be expressed in or, in the case of a rate of exchange, converted for or, as the case may be into, euro at the Established Rate; and
  - (iii) such other changes shall be made to the Conditions as the Issuer may decide to conform them to conventions then applicable to instruments expressed in euro.
- (b) Adjustment to Conditions. The Issuer may, without the consent of the Holders, on giving notice to the Holders in accordance with General Condition 4 make such adjustments to the Conditions as the Issuer may determine to be appropriate to account for the effect of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Conditions.
- (c) Euro Conversion Costs. Notwithstanding General Condition 11(a) and/or General Condition 11(b), none of the Issuer, the Calculation Agent nor any Agent shall be liable to any Holder or other person for any commissions, costs, losses or expenses in relation to or resulting from the transfer of euro or any currency conversion or rounding effected in connection therewith.
- (d) Definitions Relating to European Economic and Monetary Union. In this General Condition, the following expressions have the meanings set out below.

“**Adjustment Date**” means a date specified by the Issuer in the notice given to the Holders pursuant to this Condition which falls on or after the date on which the country of the Original Currency or, as the case may be, the Settlement Currency first participates in the third stage of European Economic and Monetary Union pursuant to the Treaty;

“**Established Rate**” means the rate for the conversion of the Original Currency or, as the case may be, the Settlement Currency (including compliance with rules relating to rounding in accordance with applicable European community regulations) into euro established by the Council of the European Union pursuant to Article 123 of the Treaty;

“**National Currency Unit**” means the unit of the currency of a country as those units are defined on the day before the country first participates in the third stage of European Economic and Monetary Union pursuant to the Treaty; and

“**Treaty**” means the treaty establishing the European Community, as amended.

## 12. AGENTS

- (a) **Principal Agent and Agents.** The Issuer and the principal agent (the “**Principal Agent**”) will enter into an agency agreement (as may be amended and/or supplemented and/or restated from time to time) (the “**Agency Agreement**”). Copies of the Agency Agreement which will contain the form of the Final Terms for each issue of Securities, will be available for inspection, free of charge, at the registered office of the Principal Agent being at the date hereof at 36 St Andrew Square, Edinburgh, EH2 2YB. The Holders and the holders of the Coupons will be deemed to have notice of, and will be entitled to the benefit of, all the provisions of the Agency Agreement, which will be binding on them. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint further or additional Agents, provided that no termination of appointment of the Principal Agent shall become effective until a replacement Principal Agent shall have been appointed and provided that, if and to the extent that any of the Securities are listed on any stock exchange or publicly offered in any jurisdiction, there shall be an Agent having a specified office in each country required by the rules and regulation of each such stock exchange and each such jurisdiction and provided further that, if and to the extent that any of the Securities are in registered form, there shall be a Registrar and a Transfer Agent (which may be the Registrar), if so specified in the relevant Product Conditions. Notice of any appointment, or termination of appointment, or any change in the specified office, of any Agent will be given to Holders in accordance with General Condition 4. Each Agent acts solely as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Holders or any of them. Any calculations or determinations in respect of the Securities made by an Agent shall (save in the case of manifest error) be final, conclusive and binding on the Holders.

- (b) Calculation Agent. The Issuer or such other Calculation Agent as specified in the applicable Final Terms, shall undertake the duties of calculation agent (the “**Calculation Agent**” which expression shall include any successor calculation agent or assignee as approved by the Issuer) in respect of the Securities unless the Issuer decides to appoint a successor Calculation Agent in accordance with the provisions below.

The Issuer reserves the right at any time to appoint another institution as the Calculation Agent provided that no termination of appointment of the existing Calculation Agent shall become effective until a replacement Calculation Agent shall have been appointed. Notice of any termination or appointment will be given to the Holders in accordance with General Condition 4.

The Calculation Agent acts solely as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Holders. Any calculations or determinations in respect of the Securities made by the Calculation Agent (whether or not the Issuer) shall (save in the case of manifest error) be final, conclusive and binding on the Holders.

The Calculation Agent may, with the consent of the Issuer (if it is not the Issuer), delegate any of its obligations and functions to a third party as it deems appropriate.

#### 13. SURRENDER OF UNMATURED COUPONS

Each Security should be presented for redemption, where applicable, together with all unmatured Coupons relating to it. Upon the due date for redemption of any Security, where applicable, all unmatured Coupons relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof. This General Condition will not apply to Securities issued in dematerialised form.

#### 14. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any person under the English Contracts (Rights of Third Parties) Act 1999 to enforce any Condition. The preceding sentence shall not affect any right or remedy of any person which exists or is available apart from that Act.

#### 15. GOVERNING LAW AND JURISDICTION

- (a) The Securities and the Agency Agreement, and any non-contractual obligations arising out of or in connection with them, are governed by English law.
- (b) The courts of England have exclusive jurisdiction to settle any dispute (including any dispute relating to any non-contractual obligations) (a “**Dispute**”) arising from or in connection with the Securities.

- (c) Subparagraph (b) is for the benefit of the Holders only. As a result, nothing prevents any Holder from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction. To the extent allowed by law, Holders may take concurrent Proceedings in any number of jurisdictions.
- (d) The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

16. METHOD OF PAYMENT

- (a) The Issuer will be discharged of its payment obligations in respect of Securities represented by a global Security by payment to, or to the order of, the holder of such global Security in respect of such amount paid.
- (b) For purposes of any payment on a Security, the Clearing Agents may not be United States persons, as defined for United States Federal income tax purposes, and their respective specified offices may not be located in the United States or any of its possessions. No payment on a Security shall be made by transfer to an account in the United States (including its possessions) or by cheque mailed to an address in the United States (including its possessions).

17. COMMISSIONS, FEES AND REBATES

From time to time, the Issuer may make payments or receive the benefit of payments in relation to the issue of Securities including the following:

- (a) The Issuer may pay to a distributor, sales agent or other intermediary fees or commissions. Such fees or commissions are generally required to be disclosed by distributors, sales agents or intermediaries which, in each case, are EEA investment firms or credit institutions to their clients. Each potential investor in the Securities should satisfy itself as to the amount of any fees or commissions received by intermediaries;
- (b) The Issuer may receive or pay management or other fees from or to third parties. Where such fees are payable, further details of them will be set out in the relevant Final Terms; and
- (c) The Issuer may make payments to or receive the benefit of generic commission, discount and rebate arrangements from Hedge Providers and other transaction counterparties. Such arrangements will be as agreed between the Issuer and the third parties.

The Issuer reserves the right to retain any amounts received without any obligation to pass the benefit of the rebates to investors in the Securities.

18. EVENTS OF DEFAULT

If any one or more of the following events (each an "**Event of Default**") shall occur and be continuing:

(a) default is made for more than 30 days in the payment of interest or principal in respect of the Securities; or

(b) the Issuer fails to perform or observe any of its other obligations under the Securities and such failure has continued for the period of 60 days next following the service on the Issuer of notice requiring the same to be remedied; or

(c) an order is made or an effective resolution is passed for the winding up of the Issuer,

then any Holder may, by written notice to the Issuer at the specified office of the Principal Agent, effective upon the date of receipt thereof by the Principal Agent, declare the Security held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Event of Default Early Termination Amount (as defined below), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

“**Event of Default Early Termination Amount**” means an amount calculated by the Calculation Agent as the fair market value of the Security immediately prior to such Event of Default. Where the Securities contain provisions which provide a minimum assured return of principal, howsoever expressed, on the Settlement Date or Maturity Date as applicable, or a minimum assured return of interest or coupons having regard to prevailing market rates, credit spreads and market liquidity, howsoever expressed, on a relevant Interest Payment Date (if applicable), any such amount to be paid under this General Condition shall not be less than the present value of such minimum assured return of principal and/or interest or coupons, such present value being determined by the Calculation Agent.

#### 19. REGISTRAR AND REGISTRY SERVICES AGREEMENT WITH RESPECT TO SECURITIES CLEARED THROUGH CREST

In respect of Securities cleared through the dematerialised securities system operated by Euroclear UK and Ireland Limited (“**CREST**”), the Issuer will enter into an agreement for the provision of registry services with Computershare Investor Services PLC or otherwise, the person named as the Registrar in the applicable Final Terms (with respect to Securities cleared through CREST, the “**Registrar**” which expression shall include any successor registrar) and the definition of “**Registrar**” for the purposes of the applicable Product Conditions and Final Terms shall be construed accordingly.

Payments in respect of Securities cleared through CREST will be made under an agreement as amended, restated or supplemented from time to time (the “**Registry Services Agreement**”) for the provision of registry services with the Registrar.

In acting under the Registry Services Agreement, the relevant Registrar will act solely as agent of the Issuer and will not assume any obligations or relationships of agency or trust to or with the Holders.

Copies of the Registry Services Agreement for each issue of Securities, will be available for inspection, free of charge, at the registered office of the Principal Agent being at the date hereof at 36 St Andrew Square, Edinburgh, EH2 2YB. The Holders and the holders of the Coupons will be deemed to have notice of, and will be entitled to the benefit of, all the provisions of the Registry Services Agreement, which will be binding on them.

20. PAYMENTS WITH RESPECT TO SECURITIES CLEARED THROUGH CREST

Notwithstanding anything to the contrary contained in the Conditions, the Issuer shall pay or cause to be paid any amounts due to a Holder of a Security cleared through CREST to such Holder's cash account with the Operator for value on the relevant payment date, such payment to be made in accordance with the Regulations (as defined in the relevant Product Conditions) and the rules, procedures and practices in effect of the Operator (as defined in the relevant Product Conditions). The Issuer's obligations in relation to such amounts in respect of Securities cleared through CREST will be discharged by payment to, or to the order of, the Operator. Each of the persons shown in the Operator register of corporate securities as the holder of a particular nominal amount of Securities cleared through CREST must look solely to the Operator for his share of each such payment so made by the Issuer to, or to the order of, the Operator.

21. TRANSFER AND CONSISTENCY REGULATIONS WITH RESPECT TO SECURITIES CLEARED THROUGH CREST

No provisions of any of the Conditions shall (notwithstanding anything contained therein) apply or have effect to the extent that it is in any respect inconsistent with (i) the holding of title to Securities cleared through CREST (ii) the transfer of title to Securities cleared through CREST by means of a relevant system, or (iii) the Regulations.

Without prejudice to the generality of the preceding sentence and notwithstanding anything contained in the Conditions, so long as Securities cleared through CREST are participating securities, (a) any such Securities which are not for the time being in all respects identical to, or do not for the time being have rights attached thereto identical in all respects to those attached to other Securities cleared through CREST of the same Series, shall be deemed to constitute a separate Series of Securities, (b) the Register (as defined in the relevant Product Conditions) relating to Securities cleared through CREST shall be maintained at all times in the United Kingdom, (c) Securities cleared through CREST will be issued in uncertificated form in accordance with and subject as provided in the Regulations, and (d) for the avoidance of doubt, and any Conditions in relation to any Securities cleared through CREST shall remain applicable notwithstanding that they are not endorsed on any certificate for such Securities.

22 MEETINGS OF HOLDERS

Schedule 3 of the Agency Agreement will contain provisions for convening meetings of Holders to consider matters relating to the Securities, including the modification of any provision of the General Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Holders holding not less than one-tenth of the aggregate nominal amount of the outstanding Securities. The quorum at any meeting convened to vote on an Extraordinary Resolution (as defined in the Agency Agreement) will be two or more persons holding or representing one more than half of the aggregate nominal amount of the outstanding Securities or, at any adjourned meeting, two or more persons being or representing Holders whatever the nominal amount of the Securities held or represented; provided, however, that certain proposals (including any proposal to change any date fixed for payment of principal in respect of the Securities, to reduce the amount of principal payable on any date in respect of the Securities, to alter the method of calculating the amount of any payment in respect of the Securities or the date for any such payment, to change the currency of payments under the Securities or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**")) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Holders at which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate nominal amount of the outstanding Securities form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Holders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Holders who for the time being are entitled to receive notice of a meeting of Holders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

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**CONDITIONS: PRODUCT CONDITIONS**  
**RELATING TO RANGE ACCRUAL NOTES**

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*The Product Conditions which follow relate to the Securities and must be read in conjunction with, and are subject to, the applicable Final Terms and the General Conditions (whether or not attached to this document). The applicable Final Terms, the Product Conditions and the General Conditions together constitute the Conditions of the Securities and will be printed on any Definitive Securities and attached to any Global Security representing the Securities.*

1. DEFINITIONS

“**Agent**” means each of the Principal Agent and Agent(s), each as specified in the applicable Final Terms, acting through its specified office and together, the “**Agents**”, which expression shall include any other Agent appointed pursuant to the provisions of General Condition 12;

“**Business Day**” means, unless specified otherwise in the applicable Final Terms, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business;

“**Cash Amount**” means an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

“**Clearing Agent**” means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a “**Clearing Agent**” and together the “**Clearing Agents**”);

“**Coupon**” means an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount;

“**Emerging Market Disruption Event**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

- (i) Moratorium. A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or
- (ii) Price Source Disruption. It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or

- (iii) Governmental Default. With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (A) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (B) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (C) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or
- (iv) Inconvertibility/non-transferability. The occurrence of any event which (A) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (B) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or
- (v) Nationalisation. Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or
- or
- (vi) Illiquidity. It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or
- (vii) Change in Law. A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or
- (viii) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or
- (ix) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency, or where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or

(x) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities;

“**Expenses**” means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security;

“**Final Terms**” means the document containing the specific terms relating to the Securities;

“**Governmental Authority**” is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate;

“**Interest Amount**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount, an amount calculated by the Calculation Agent as follows:

Nominal Amount x Interest Rate x Interest Rate Day Count Fraction;

“**Interest Payment Dates**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Interest Period**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date or the Issuer Call Date, as the case may be, and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date or the Issuer Call Date, as the case may be;

“**Interest Rate**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, the rate per annum specified as such, or determined in accordance with the formula specified, in the definition of the relevant Series in the applicable Final Terms;

“**Interest Rate Day Count Fraction**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms;

“**Issue Date**” means the date specified as such in the applicable Final Terms;

“**Issuer**” means The Royal Bank of Scotland Group plc incorporated in Scotland with its statutory seat in Edinburgh;

**“Issuer Call”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the termination of the Securities by the Issuer in accordance with Product Condition 3(b);

**“Issuer Call Cash Amount”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the amount specified, or determined by the Calculation Agent in accordance with the formula specified, in the definition of Issuer Call Cash Amount for the relevant Series in the applicable Final Terms, less Expenses. The Issuer Call Cash Amount payable to a Holder shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

**“Issuer Call Commencement Date”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the date specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Issuer Call Date”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each date specified as such in the definition of the relevant Series in the applicable Final Terms or, if no such date is specified, in the notice delivered in accordance with Product Condition 3(b);

**“Issuer Call Notice Period”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the period specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Market Disruption Event”** means each event specified as such in Product Condition 4, any Additional Market Disruption Event specified in the definition of the relevant Series in the applicable Final Terms and any Emerging Market Disruption Event;

**“Maturity Date”** means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Nominal Amount”** means the amount specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Payment Day”** means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross-settlement Express Transfer (TARGET 2) System is open;

**“Pricing Date”** means the date specified as such in the applicable Final Terms, subject to adjustment by the Issuer in adverse market conditions if, in the opinion of the Issuer, circumstances so require;

**“Rate 1”** means, subject to Product Condition 4, the rate specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Rate 2**” means, if applicable and subject to Product Condition 4, the rate specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Reference Banks**” means the entities specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Reference Spread**” means, if applicable, the spread of Rate 1 over Rate 2, to be fixed by the Calculation Agent at the Valuation Time on each day by reference to information published on the Reference Spread Screen Page specified in the definition of the relevant Series in the applicable Final Terms, except that (i) if any day is not a Business Day, the fixing for the immediately preceding Business Day shall be used, (ii) the last fixing of Rate 1 and Rate 2 in each Interest Period will be the fifth Business Day prior to the Interest Payment Date falling at the end of that Interest Period and this fixing will be used for the remaining days of the Interest Period (whether or not they are Business Days) and (iii) if, in the determination of the Calculation Agent, a Market Disruption Event has occurred on any day, then the Reference Spread will be fixed by the Calculation Agent in accordance with Product Condition 4 below;

“**Relevant Currency**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying, is located provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt (“**ADR**”) or Global Depositary Receipt (“**GDR**”), the constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition;

“**Relevant Currency Exchange Rate**” means, each rate of exchange between the Relevant Currency and the Settlement Currency, or where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time;

“**Securities**” means each Series of the range accrual notes specified in the applicable Final Terms and each such note a “**Security**”. References to the terms “**Securities**” and “**Security**” shall be construed severally with respect to each Series specified in the applicable Final Terms;

“**Series**” mean each series of Securities set out in the applicable Final Terms;

“**Settlement Currency**” means the currency specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Standard Currency**” means unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands,

New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time;

“**Target Rate**” means the rate determined by the Calculation Agent on the Pricing Date. The indicative Target Rate (the “**Indicative Target Rate**”) means the rate specified as such in the definition of the relevant Series in the applicable Final Terms; and

“**Valuation Time**” means at or around the time specified as such in the definition of the relevant Series in the applicable Final Terms or such other time as the Issuer may select in its absolute discretion and notify to Holders in accordance with General Condition 4.

Terms in capitals which are not defined in these Product Conditions shall have the meanings ascribed to them in the General Conditions.

## 2. FORM

- (a) Global Form. Except in the case of Securities issued in the form described in either Product Condition 2(b) or 2(c), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the “**Global Security**”) which will be deposited with a Clearing Agent or the depositary for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term “**Holder**” shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested as regards the Issuer and the Agents, solely in the bearer of the Global Security.
- (b) Dematerialised Form. Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time to time (the “**Rules**”). Accordingly, in these Conditions, the term “**Holder**” means a person in whose name a Security is registered in the book-entry settlement system of the

Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

If CREST is specified as the Clearing Agent in the relevant Final Terms, the Securities will be cleared through CREST. Such Securities will be registered securities in dematerialised and uncertificated form, and will be (i) participating securities and (ii) uncertificated securities in accordance with the Uncertificated Securities Regulations 2001 (SI. No. 3755) as amended, supplemented or replaced from time to time (the “**Regulations**”).

Securities cleared through CREST may be transferred in accordance with the Regulations and the rules, procedures and practices of the relevant Operator (as defined below). No transfer of such Securities will be valid unless and until entered on the relevant Operator register of corporate securities (as defined in and in accordance with, the Regulations).

In the case of Securities cleared through CREST, title to the Securities is recorded on the relevant Operator register of corporate securities (as defined in the Regulations). The Registrar on behalf of the Issuer will maintain a register of such Securities recorded on the relevant Operator register of corporate securities (the “**Register**”) and shall procure that the Register is regularly updated to reflect the Operator register of corporate securities in accordance with the rules and practices from time to time of the Operator and the Regulations. Subject to this requirement, (i) each person who is for the time being shown in the Register as the holder of such Securities shall be treated by the Issuer and the Registrar as the holder of such Securities for all purposes and (ii) neither the Issuer nor the Registrar shall be liable in respect of any act or thing done or omitted to be done by it or on its behalf in reliance upon the assumption that the particulars entered in the Register which the Registrar maintains are in accordance with particulars entered in the Operator register of corporate securities relating to such Securities (and the expression “**Holder**” and related expressions shall be construed accordingly).

Any reference to the “**Operator**” (as such term is used in the Regulations) shall be to CREST and shall, whenever the context so permits, be deemed to include a reference to any such additional or alternative Operator approved by the Issuer from time to time in accordance with the Regulations and notified to the relevant Holders in accordance with General Condition 4.

Any indication herein that the Operator “shall do”, or similar expression or phrase indicating that they are obliged to or will carry out any role or obligation described in the Conditions and/or the applicable Final Terms, as the case may be, is given without any assumption by the Issuer, the relevant Registrar or the Calculation Agent of responsibility or liability for the performance of the Operator.

3. RIGHTS AND PROCEDURES

- (a) Redemption on the Maturity Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at the Cash Amount, such redemption to occur on the Maturity Date.
- (c) Issuer Call. If “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the Issuer may redeem the Securities in whole, but not in part, on any Issuer Call Date at the Issuer Call Cash Amount by giving Holders at least the Issuer Call Notice Period notice of its intention to redeem the Securities, such notice to be given at any time from (and including) the Issuer Call Commencement Date. Any such notice shall be given in accordance with the provisions of General Condition 4 and shall specify the Issuer Call Date.
- (d) Interest Amount. If “Interest” is specified as being applicable in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction and is payable on each Interest Payment Date and the Issuer Call Date (if applicable), as the case may be.
- (e) Interest Accrual. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date or the Issuer Call Date, as the case may be, in the event that payment of any amount is postponed due to a Market Disruption Event.
- (f) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (a) if "Modified Following" is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (b) if "Following" is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.
- (g) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount, any Issuer Call Cash Amount or any Interest Amount.

- (h) Settlement Risk. Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and none of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. None of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- (i) Method of Payment. Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.
- (j) Presentation and Surrender. Unless the Securities are cleared through CREST, the Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid. Where the Securities are cleared through CREST, General Condition 20 shall apply.

#### 4. ADJUSTMENTS

- (a) Market Disruption. The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred. A “**Market Disruption Event**” means the situation in which Rate 1 and/or Rate 2, if applicable, is not available on the relevant Reference Spread Screen Page, in which case the relevant rate shall be determined by the Calculation Agent, on the basis of quotations for the relevant rate or such other related rate as the Calculation Agent shall in its sole and absolute discretion specify provided by the Reference Banks at the Valuation Time for the relevant Business Day. The Issuer will request each Reference Bank to provide a quotation of the relevant rate. If at least three quotations are provided, the relevant rate will be the arithmetic mean of the quotations,

eliminating the highest quotation (or in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If it is not possible to obtain quotations of the relevant rate by at least three of the Reference Banks then the Calculation Agent will determine Rate 1 and/or Rate 2 (if applicable) and/or the Reference Spread, if applicable, at its sole and absolute discretion.

- (b) The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determination. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

#### 5. EFFECT OF FINAL TERMS

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

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**CONDITIONS: PRODUCT CONDITIONS**  
**RELATING TO LADDER NOTES**

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*The Product Conditions which follow relate to the Securities and must be read in conjunction with, and are subject to, the applicable Final Terms and the General Conditions (whether or not attached to this document). The applicable Final Terms, the Product Conditions and the General Conditions together constitute the Conditions of the Securities and will be printed on any Definitive Securities and attached to any Global Security representing the Securities.*

1. DEFINITIONS

“**Agent**” means each of the Principal Agent and Agent(s), each as specified in the applicable Final Terms, acting through its specified office and together, the “**Agents**”, which expression shall include any other Agent appointed pursuant to the provisions of General Condition 12

“**Business Day**” means, unless specified otherwise in the applicable Final Terms, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business;

“**Cash Amount**” means an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

“**Clearing Agent**” means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a “**Clearing Agent**” and together the “**Clearing Agents**”);

“**Coupon**” means an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount;

“**Emerging Market Disruption Event**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

- (i) Moratorium. A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or

- (ii) Price Source Disruption. It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or
- (iii) Governmental Default. With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (A) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (B) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (C) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or
- (iv) Inconvertibility/non-transferability. The occurrence of any event which (A) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (B) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or
- (v) Nationalisation. Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or
- (vi) Illiquidity. It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or
- (vii) Change in Law. A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or
- (viii) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or
- (ix) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency, or where the Settlement Currency is

the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or

(x) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities;

“**Expenses**” means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security;

“**Final Terms**” means the document containing the specific terms relating to the Securities;

“**Governmental Authority**” is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate;

“**Interest Amount**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount, an amount calculated by the Calculation Agent as follows:

Nominal Amount x Interest Rate x Interest Rate Day Count Fraction;

“**Interest Payment Dates**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Interest Period**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date or the Issuer Call Date, as the case may be, and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date or the Issuer Call Date, as the case may be;

“**Interest Rate**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect each Interest Period, the rate per annum specified as such, or determined in accordance with the formula specified, in the definition of the relevant Series in the applicable Final Terms;

“**Interest Rate Day Count Fraction**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms;

“**Issue Date**” means the date specified as such in the applicable Final Terms;

“**Issuer**” means The Royal Bank of Scotland Group plc incorporated in Scotland with its statutory seat in Edinburgh;

“**Issuer Call**” means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the termination of the Securities by the Issuer in accordance with Product Condition 3(b);

“**Issuer Call Commencement Date**” means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the date specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Issuer Call Date**” means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each date specified as such in the definition of the relevant Series in the applicable Final Terms or, if no such date is specified, in the notice delivered in accordance with Product Condition 3(b);

“**Issuer Call Notice Period**” means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the period specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Market Disruption Event**” means each event specified as such in Product Condition 4, any Additional Market Disruption Events specified in the definition of the relevant Series in the applicable Final Terms and any Emerging Market Disruption Event;

“**Maturity Date**” means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Nominal Amount**” means the amount specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Payment Day**” means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross-settlement Express Transfer (TARGET 2) System is open;

“**Pricing Date**” means the date specified as such in the applicable Final Terms, subject to adjustment by the Issuer in adverse market conditions if, in the opinion of the Issuer, circumstances so require;

“**Reference Banks**” means the entities specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Reference Rate**” means any Reference Rate specified as such in the definition of Interest Rate of the relevant Series in the applicable Final Terms;

“**Relevant Currency**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying, is located provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt (“**ADR**”) or Global Depositary Receipt (“**GDR**”), the constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition;

“**Relevant Currency Exchange Rate**” means, each rate of exchange between the Relevant Currency and the Settlement Currency, or where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time;

“**Securities**” means each Series of the ladder notes specified in the applicable Final Terms and each such note a “**Security**”. References to the terms “**Securities**” and “**Security**” shall be construed severally with respect to each Series specified in the applicable Final Terms;

“**Series**” mean each series of Securities set out in the applicable Final Terms;

“**Settlement Currency**” means the currency specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Standard Currency**” means unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time;

“**Target Fixed Rate**” means the rate specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Trading Day**” means any day that is (or but for the occurrence of a Market Disruption Event, would have been) a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the Settlement Currency;

“**Valuation Date**” means the date specified as such in the definition of the relevant Series in the applicable Final Terms or, if such day is not a Trading Day, the first Trading Day thereafter; and

“**Valuation Time**” means at or around the time specified as such in the definition of the relevant Series in the applicable Final Terms or such other time as the Issuer may select in its absolute discretion and notify to Holders in accordance with General Condition 4.

Terms in capitals which are not defined in these Product Conditions shall have the meanings ascribed to them in the General Conditions.

## 2. FORM

- (a) **Global Form.** Except in the case of Securities issued in the form described in either Product Condition 2(b) or 2(c), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the “**Global Security**”) which will be deposited with a Clearing Agent or the depositary for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term “**Holder**” shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested as regards the Issuer and the Agents, solely in the bearer of the Global Security.
- (b) **Dematerialised Form.** Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time to time (the “**Rules**”). Accordingly, in these Conditions, the term “**Holder**” means a person in whose name a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

If CREST is specified as the Clearing Agent in the relevant Final Terms, the Securities will be cleared through CREST. Such Securities will be registered securities in dematerialised and uncertificated form, and will be (i) participating securities and (ii) uncertificated securities in accordance with the Uncertificated Securities Regulations 2001 (SI. No. 3755) as amended, supplemented or replaced from time to time (the “**Regulations**”).

Securities cleared through CREST may be transferred in accordance with the Regulations and the rules, procedures and practices of the relevant Operator (as defined below). No transfer of such Securities will be valid unless and until entered on the relevant Operator register of corporate securities (as defined in and in accordance with, the Regulations).

In the case of Securities cleared through CREST, title to the Securities is recorded on the relevant Operator register of corporate securities (as defined in the Regulations). The Registrar on behalf of the Issuer will maintain a register of such Securities recorded on the relevant Operator register of corporate securities (the “**Register**”) and shall procure that the Register is regularly updated to reflect the Operator register of corporate securities in accordance with the rules and practices from time to time of the Operator and the Regulations. Subject to this requirement, (i) each person who is for the time being shown in the Register as the holder of such Securities shall be treated by the Issuer and the Registrar as the holder of such Securities for all purposes and (ii) neither the Issuer nor the Registrar shall be liable in respect of any act or thing done or omitted to be done by it or on its behalf in reliance upon the assumption that the particulars entered in the Register which the Registrar maintains are in accordance with particulars entered in the Operator register of corporate securities relating to such Securities (and the expression “**Holder**” and related expressions shall be construed accordingly).

Any reference to the “**Operator**” (as such term is used in the Regulations) shall be to CREST and shall, whenever the context so permits, be deemed to include a reference to any such additional or alternative Operator approved by the Issuer from time to time in accordance with the Regulations and notified to the relevant Holders in accordance with General Condition 4.

Any indication herein that the Operator “shall do”, or similar expression or phrase indicating that they are obliged to or will carry out any role or obligation described in the Conditions and/or the applicable Final Terms, as the case may be, is given without any assumption by the Issuer, the relevant Registrar or the Calculation Agent of responsibility or liability for the performance of the Operator.

### 3. RIGHTS AND PROCEDURES

- (a) Redemption on the Maturity Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at the Cash Amount, such redemption to occur on the Maturity Date.
- (b) Issuer Call. If “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the Issuer may redeem the Securities in whole, but not in part, on any Issuer Call Date at the Cash Amount by giving Holders at least the

Issuer Call Notice Period notice of its intention to redeem the Securities, such notice to be given at any time from (and including) the Issuer Call Commencement Date. Any such notice shall be given in accordance with the provisions of General Condition 4 and shall specify the Issuer Call Date.

- (c) Interest Amount. If “Interest” is specified as being applicable in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction and is payable on each Interest Payment Date and the Issuer Call Date (if applicable), as the case may be.
- (d) Interest Accrual. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date or the Issuer Call Date, as the case may be, in the event that payment of any amount is postponed due to a Market Disruption Event.
- (e) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (a) if "Modified Following" is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (b) if "Following" is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.
- (f) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount or any Interest Amount.
- (g) Settlement Risk. Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and none of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. None of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.

- (h) Method of Payment. Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.
- (i) Presentation and Surrender. Unless the Securities are cleared through CREST, the Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid. Where the Securities are cleared through CREST, General Condition 20 shall apply.

#### 4. ADJUSTMENTS

- (a) Market Disruption. The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred.

A “**Market Disruption Event**” means the situation in which the Reference Rate is not available on the relevant Screen Page specified in the definition of Interest Rate of the relevant Series in the applicable Final Terms, in which case the relevant rate shall be determined by the Calculation Agent, on the basis of the quotations for the Reference Rate or such other related rate as the Calculation Agent shall in its sole and absolute discretion specify provided by the Reference Banks at the Valuation Time on the relevant Valuation Date. The Issuer will request each Reference Bank to provide a quotation of the relevant rate. If at least three quotations are provided, the relevant rate will be the arithmetic mean of the quotations, eliminating the highest quotation (or in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If it is not possible to obtain quotations of the relevant rate from at least three of the Reference Banks then the Calculation Agent will determine the Reference Rate at its sole and absolute discretion.

- (b) The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as

practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determination. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

5. EFFECT OF FINAL TERMS

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

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**CONDITIONS: PRODUCT CONDITIONS**  
**RELATING TO TARGET COUPON NOTES**

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*The Product Conditions which follow relate to the Securities and must be read in conjunction with, and are subject to, the applicable Final Terms and the General Conditions (whether or not attached to this document). The applicable Final Terms, the Product Conditions and the General Conditions together constitute the Conditions of the Securities and will be printed on any Definitive Securities and attached to any Global Security representing the Securities.*

1. DEFINITIONS

“**Agent**” means each of the Principal Agent and Agent(s), each as specified in the applicable Final Terms, acting through its specified office and together, the “**Agents**”, which expression shall include any other Agent appointed pursuant to the provisions of General Condition 12;

“**Averaging Dates**” means, unless “Averaging Dates” is specified as “Not Applicable” in the applicable Final Terms, with respect to any Valuation Date, such Valuation Date and each of the four Scheduled Trading Days immediately following such Valuation Date, provided that, if any of the Averaging Dates is a Disrupted Day in respect of a Share, the Averaging Date for each Share not affected by the occurrence of a Disrupted Day shall be the scheduled Averaging Date and the Averaging Date for each Share affected by the occurrence of a Disrupted Day (the “**Affected Share**”) shall be the first succeeding Valid Averaging Date in relation to an Affected Share. If the first succeeding Valid Averaging Date in relation to an Affected Share has not occurred (i) as of the Valuation Time on the Relevant Number of Scheduled Trading Days immediately following the originally designated Averaging Date or (ii) as of the Valuation Time on the relevant Cut-Off Date, then the Calculation Agent shall determine the closing price in respect of such Share in its absolute discretion acting in good faith and in a commercially reasonable manner on that day regardless of whether that day is a Valid Averaging Date. If the Exchange fails to publish the closing price in respect of any Shares on any of the Averaging Dates and such day is not a Disrupted Day, the closing price of such Shares on such day shall be determined by the Calculation Agent in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner;

“**Basket**” means, unless “Basket” is specified as “Not Applicable” in the applicable Final Terms, the basket specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Bonus Coupon Amount**” means the amount, if any, specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Business Day**” means, unless specified otherwise in the applicable Final Terms, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business;

“**Cash Amount**” means the amount specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

“**C<sub>k</sub>**” means the Coupon Amount payable in respect of a Coupon Amount Payment Date;

“**Clearing Agent**” means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a “**Clearing Agent**” and together the “**Clearing Agents**”);

“**Coupon Amount**” means, subject to the occurrence of an Early Termination Event, the amount specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Coupon Amount Payment Dates**” means, the dates specified as such in the definition of the relevant Series in the applicable Final Terms or, if any such day is not a Business Day, the next following Business Day;

“**Cumulative Coupon Amount**” means the amount specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Cut-Off Date**” means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Disrupted Day**” means any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred. The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders, in accordance with General Condition 4, of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been an Averaging Date, a Valuation Date or an Initial Fixing Date (as the case may be). Without limiting the obligation of the Calculation Agent to notify the Holders as set forth in the preceding sentence, the failure by the Calculation Agent to notify the Holders of the occurrence of a Disrupted Day shall not affect the validity of the occurrence and effect of such Disrupted Day hereunder;

“**Early Closure**” means the closure on any Exchange Business Day of the Exchange or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and

(ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day;

“**Early Termination Date**” means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Early Termination Event**” means the event specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Emerging Market Disruption Event**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

(i) **Moratorium.** A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or

(ii) **Price Source Disruption.** It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or

(iii) **Governmental Default.** With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (A) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (B) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (C) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or

(iv) **Inconvertibility/non-transferability.** The occurrence of any event which (A) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (B) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or

(v) **Nationalisation.** Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or

substantially all of its assets in the country of the principal financial centre of the Relevant Currency;  
or

(vi) Illiquidity. It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or

(vii) Change in Law. A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or

(viii) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or

(ix) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency, or where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or

(x) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities;

“**Exchange**” means, with respect to each Share, the exchange or quotation system specified as such in the definition of Basket for the relevant Series in the applicable Final Terms or specified as such in the definition of the relevant Series in the applicable Final Terms, or any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Share on such temporary substitute exchange or quotation system on the original Exchange);

“**Exchange Business Day**” means any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time;

“**Expenses**” means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security;

“**Final Terms**” means the document containing the specific terms relating to the Securities;

“**Fixing Cut-Off Date**” means the date (if any) specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Governmental Authority**” is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged

with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate;

“**Initial Fixing Dates**” means (if applicable) a total of five Initial Fixing Dates, the First Initial Fixing Date being the date (if any) specified as such in the definition of the relevant Series in the applicable Final Terms and, if such day is not a Scheduled Trading Day in respect of all the Shares, then the immediately following Scheduled Trading Day in respect of all the Shares and the remaining Initial Fixing Dates shall be the four consecutive Scheduled Trading Days immediately following the first Initial Fixing Date, provided that if any of such days is a Disrupted Day in respect of a Share the Initial Fixing Date for each Share not affected by the occurrence of a Disrupted Day shall be the scheduled Initial Fixing Date and the Initial Fixing Date for each Share affected by the occurrence of a Disrupted Day (the “**Affected Share**”) shall be the first succeeding Valid Fixing Date in relation to such Affected Share. If the first succeeding Valid Fixing Date in relation to a Share has not occurred (i) as of the Valuation Time on the fifth Scheduled Trading Day immediately following that originally designated Initial Fixing Date or (ii) as of the Valuation Time on the Fixing Cut-Off Date, then the Calculation Agent shall determine the closing price in respect of such Share in its absolute discretion acting in good faith and in a commercially reasonable manner on that day regardless of whether it is not a Valid Fixing Date on that day. For the avoidance of doubt, if the Exchange fails to publish the closing price in respect of any Shares on any Initial Fixing Date and such day is not a Disrupted Day, the closing price of such Shares on such day shall be determined by the Calculation Agent in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner;

“**Initial Reference Spot**” means, if applicable, regarding the relevant Share, the price specified as such in the definition of Basket for the relevant Series in the applicable Final Terms or specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Issue Date**” means the date specified as such in the applicable Final Terms;

“**Issuer**” means The Royal Bank of Scotland Group plc incorporated in Scotland with its statutory seat in Edinburgh;

“**Issuer Call**” means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the termination of the Securities by the Issuer in accordance with Product Condition 3(b);

“**Issuer Call Cash Amount**” means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the amount specified, or determined by the Calculation Agent in accordance with the formula specified, in the definition of Issuer Call Cash Amount for the relevant Series in the applicable Final Terms, less Expenses. The Issuer Call Cash Amount payable to a Holder shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

**“Issuer Call Commencement Date”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the date specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Issuer Call Date”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each date specified as such in the definition of the relevant Series in the applicable Final Terms or, if no such date is specified, in the notice delivered in accordance with Product Condition 3(b);

**“Issuer Call Notice Period”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the period specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Market Disruption Event”** means (i) a general moratorium is declared in respect of banking activities in the country in which the Exchange or Related Exchange is located or (ii) the occurrence or existence of any of:

- (A) any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (i) relating to the Share on the Exchange or (ii) in options contracts or futures contracts relating to the Share on any relevant Related Exchange;
- (B) any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to (i) effect transactions in or obtain market values for the Shares on the Exchange or (ii) to effect transactions in, or obtain market values for, options contracts or futures contracts relating to the Share on any relevant Related Exchange;

which, in either of the above cases, the Calculation Agent determines is material and which occurs at any time during the one hour period that ends at the relevant Valuation Time; or

- (C) an Early Closure; or
- (D) any Additional Market Disruption Events specified in the definition of the relevant Series in the applicable Final Terms; or
- (E) any Emerging Market Disruption Event;

**“Maturity Date”** means the date specified as such in the definition of the relevant Series in the applicable Final Terms or, if such day is not a Business Day, the next following Business Day;

**“Nominal Amount”** means the amount specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Payment Day”** means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign exchange currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency

is euro, any day on which the Trans-European Automated Real-time Gross-settlement Express Transfer (TARGET 2) System is open;

“**Reference Spot**” means the price specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Related Exchange**” means, in respect of each Share, each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Share;

“**Relevant Currency**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying, is located provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt (“**ADR**”) or Global Depositary Receipt (“**GDR**”), the constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition;

“**Relevant Currency Exchange Rate**” means, each rate of exchange between the Relevant Currency and the Settlement Currency, or where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time;

“**Relevant Number of Scheduled Trading Days**” means the number of Trading Days, if any, specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Residual Coupon Amount**” means the amount (if any) specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Scheduled Closing Time**” means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, any scheduled weekday closing time of such Exchange or Related Exchange, without regard to after hours or any other trading outside of the regular trading session hours;

“**Scheduled Fixing Date**” means, if applicable, any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Fixing Date;

“**Scheduled Trading Day**” means any day on which each Exchange and each Related Exchange are scheduled to be open for trading for their respective trading session hours;

“**Securities**” means each Series of the target coupon notes specified in the applicable Final Terms and each such note a “**Security**”. References to the terms “**Securities**” and “**Security**” shall be construed severally with respect to each Series specified in the applicable Final Terms;

“**Series**” means each series of Securities set out in the applicable Final Terms;

“**Settlement Currency**” means the currency specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Settlement Date**” means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Share**” means each of the shares specified as such in the definition of the Basket or specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4 and “**Shares**” shall be construed accordingly;

“**S<sub>i</sub>**” means the price determined in respect of each Share on the dates specified as S<sub>i</sub> Dates in the definition of the relevant Series in the applicable Final Terms;

“**Share Company**” means, in relation to each Share, the share company specified as such in the definition of the Basket or specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Standard Currency**” means unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time;

“**Target Coupon Level**” means the level specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Valid Fixing Date**” means, if applicable, a Scheduled Trading Day that is not a Disrupted Day and on which another Initial Fixing Date does not or is not deemed to occur with respect to a Share;

“**Valid Averaging Date**” means, if applicable, a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date in relation to the relevant Valuation Date does not or is not deemed to occur;

“**Valuation Date**” means, subject to the occurrence of an Early Termination Event, the dates set out in the definition of the relevant Series in the applicable Final Terms, each being a Valuation Date, provided that, if any such date is not a Scheduled Trading Day in respect of all Shares, the Valuation Date shall be the immediately following day which is a Scheduled Trading Day in respect of all Shares; and

“**Valuation Time**” means close of trading on the relevant Exchange in relation to each Share.

Terms in capitals which are not defined in these Product Conditions shall have the meanings ascribed to them in the General Conditions.

## 2. FORM

- (a) Global Form. Except in the case of Securities issued in the form described in either Product Condition 2(b) or 2(c), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the “**Global Security**”) which will be deposited with a Clearing Agent or the depository for one or more Clearing Agents and will be transferable only in accordance with applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term “**Holder**” shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested as regards the Issuer and the Agents, solely in the bearer of the Global Security.
- (b) Dematerialised Form. Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time to time (the “**Rules**”). Accordingly, in these Conditions, the term “**Holder**” means a person in whose name a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

If CREST is specified as the Clearing Agent in the relevant Final Terms, the Securities will be cleared through CREST. Such Securities will be registered securities in dematerialised and uncertificated form, and will be (i) participating securities and (ii) uncertificated securities in accordance with the Uncertificated Securities Regulations 2001 (SI. No. 3755) as amended, supplemented or replaced from time to time (the “**Regulations**”).

Securities cleared through CREST may be transferred in accordance with the Regulations and the rules, procedures and practices of the relevant Operator (as defined below). No transfer of such Securities will be valid unless and until entered on the relevant Operator register of corporate securities (as defined in and in accordance with, the Regulations).

In the case of Securities cleared through CREST, title to the Securities is recorded on the relevant Operator register of corporate securities (as defined in the Regulations). The Registrar on behalf of the Issuer will maintain a register of such Securities recorded on the relevant Operator register of corporate securities (the “**Register**”) and shall procure that the Register is regularly updated to reflect the Operator register of corporate securities in accordance with the rules and practices from time to time of the Operator and the Regulations. Subject to this requirement, (i) each person who is for the time being shown in the Register as the holder of such Securities shall be treated by the Issuer and the Registrar as the holder of such Securities for all purposes and (ii) neither the Issuer nor the Registrar shall be liable in respect of any act or thing done or omitted to be done by it or on its behalf in reliance upon the assumption that the particulars entered in the Register which the Registrar maintains are in accordance with particulars entered in the Operator register of corporate securities relating to such Securities (and the expression “**Holder**” and related expressions shall be construed accordingly).

Any reference to the “**Operator**” (as such term is used in the Regulations) shall be to CREST and shall, whenever the context so permits, be deemed to include a reference to any such additional or alternative Operator approved by the Issuer from time to time in accordance with the Regulations and notified to the relevant Holders in accordance with General Condition 4.

Any indication herein that the Operator “shall do”, or similar expression or phrase indicating that they are obliged to or will carry out any role or obligation described in the Conditions and/or the applicable Final Terms, as the case may be, is given without any assumption by the Issuer, the relevant Registrar or the Calculation Agent of responsibility or liability for the performance of the Operator.

### 3. RIGHTS AND PROCEDURES

- (a) Redemption on the Settlement Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer, in respect of each Nominal Amount, at the Cash Amount, subject as provided below, on the Settlement Date.
- (b) Issuer Call. If “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the Issuer may redeem the Securities in whole, but not in part, on any Issuer Call Date at the Issuer Call Cash Amount by giving Holders at least the Issuer Call Notice Period notice of its intention to redeem the Securities, such notice to be given at any time from (and including) the Issuer Call Commencement Date. Any such notice shall be given in accordance with the provisions of General Condition 4 and shall specify the Issuer Call Date.

- (c) Early Termination. If an Early Termination Event has occurred, each Security will be redeemed by the Issuer, in respect of each Nominal Amount, at the Cash Amount, such redemption to occur, subject as provided below, on the Settlement Date.
- (d) Interest. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, the Holder is entitled to receive the amounts specified, on the dates specified, under Interest Entitlement in the definition of the relevant Series in the applicable Final Terms.
- (e) Interest Accrual. Each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date or the Issuer Call Date, as the case may be, in the event that payment of any amount is postponed due to a Market Disruption Event.
- (f) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (a) if "Modified Following" is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (b) if "Following" is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.
- (g) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount or any amount specified under Interest Entitlement in the definition of the relevant Series in the applicable Final Terms.
- (h) The purchase of Securities does not confer on any holder of such Securities any rights (whether in respect of voting, distributions or otherwise) attached to the Shares.
- (i) Settlement Risk. Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and none of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. None of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- (j) Method of Payment. Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on

behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.

- (k) Presentation and Surrender. Unless the Securities are cleared through CREST, the Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid. Where the Securities are cleared through CREST, General Condition 20 shall apply.

#### 4. ADJUSTMENTS

- (a) Potential Adjustment Events. Following a declaration by the Share Company of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Share and, if so, will:
  - (1) make the corresponding adjustment, if any, to any one or more of the Conditions as the Calculation Agent determines appropriate to account for that diluting or concentrative effect; and
  - (2) determine the effective date of that adjustment.

The Calculation Agent may, but need not, determine the adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an options exchange to options on the Shares traded on that options exchange. Upon making any such adjustment, the Calculation Agent shall notify the Holders in accordance with General Condition 4, stating the adjustment to be made to the Conditions and giving brief details of the Potential Adjustment Event.

“**Potential Adjustment Event**” means any of the following: (i) a subdivision, consolidation or reclassification of relevant Shares (unless resulting in a Merger Event) or a free distribution or dividend of any such Shares to existing holders by way of bonus, capitalisation or similar issue, (ii) a distribution, issue or dividend to existing holders of the

relevant Shares of (A) such Shares, (B) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Share Company equally or proportionately with such payments to holders of such Shares, (C) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Share Company as a result of a spin-off or other similar transaction or (D) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent, (iii) an extraordinary dividend, (iv) a call by the Share Company in respect of relevant Shares that are not fully paid, (v) a repurchase by the Share Company or any of its subsidiaries of relevant Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise, (vi) with respect to the Share Company, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of the Share Company pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value (as determined by the Calculation Agent) provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights or (vii) any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Share.

- (b) Merger Event, Hedging Disruption, Nationalisation, Insolvency, Insolvency Filing or Delisting. If a Merger Event (A) which is a Reverse Merger or (B) under which the consideration for the relevant Shares consists (or, at the option of the holder of such Shares, will consist) solely of New Shares, occurs in relation to a Share Company, the Calculation Agent shall make such adjustments to the terms and conditions of the Securities as it determines appropriate to account for the economic effect on the Securities of such Merger Event (provided that the Issuer may, but need not, determine the adjustment by reference to the adjustment in respect of such event made by an options exchange to options on the Shares traded on that options exchange) and determine the effective date of that adjustment. If the Calculation Agent determines that, as a result of the application of this provision, the number of different Shares in the Basket is reduced, Share Substitution will apply. Share Substitution shall also apply where a Merger Event other than those as set out in (A) and/or (B) of this Product Condition 4(b) occurs.

If any of Hedging Disruption, Nationalisation, Insolvency, Insolvency Filing or De-listing occurs in relation to a Share Company, Share Substitution shall apply.

“**De-listing**” means the Exchange announces that, pursuant to the rules of the Exchange, the Shares cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any

reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or, where the Shares have been listed on an exchange or quotation system within the European Union, in any member state of the European Union).

“**Hedging Disruption**” means the inability of the Issuer to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk of entering into and performing its obligations with respect to any Securities or (B) realise, recover or remit the proceeds of any such transaction or asset.

“**Insolvency**” means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Share Company (A) all the Shares of that Share Company are required to be transferred to a trustee, liquidator or other similar official or (B) holders of the Shares of that Share Company become legally prohibited from transferring them.

“**Insolvency Filing**” means (A) a Share Company institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, (B) a Share Company consents to a proceeding seeking a judgement of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, (C) a petition is presented for the winding-up or liquidation of a Share Company by it or such regulator, supervisor or similar official or (D) a Share Company consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by such Share Company shall not be deemed to be an Insolvency Filing.

“**Merger Date**” means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as is determined by the Calculation Agent.

“**Merger Event**” means any (i) reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all or a majority of the outstanding Shares, (ii) consolidation, amalgamation, merger or binding share exchange of the Share Company with or into another entity (other than a consolidation, amalgamation, merger or binding share exchange in which such Share Company is the continuing entity and which does not result in a reclassification or change to all of the outstanding Shares), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Shares that results in a transfer of, or an irrevocable commitment to transfer a majority of the voting power of the Share Company to the offeror or (iv) consolidation, amalgamation, merger or binding share

exchange of the Share Company or its subsidiary with or into another entity in which the Share Company is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the holders of the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively owning less than 50 per cent. of the outstanding Shares immediately following such event (a “**Reverse Merger**”), in each case if the Merger Date is on or before the final Valuation Date.

“**Nationalisation**” means that all the Shares of a Share Company or all or substantially all the assets of a Share Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority or entity or instrumentality thereof.

“**New Share**” means ordinary or common shares, whether of the entity or person (other than the Merger Company) involved in the Merger Event or a third party that are, or that as of the Merger Date are promptly scheduled to be, (i) publicly quoted, traded or listed on an exchange or quotation system located in the same country as the Exchange and (ii) not subject to any currency exchange controls, trading restrictions or other trading limitations.

“**Share Substitution**” means on or after the relevant Merger Date or the date of the Nationalisation, Insolvency or Delisting or the date of the Insolvency Filing or Hedging Disruption (as the case may be), the Calculation Agent will adjust the Basket to include a share selected by it in good faith in accordance with the criteria for share selection set out below (the “**Substitute Shares**”) in place of the Shares which are affected by the Merger Event, Nationalisation, Insolvency, Delisting, Insolvency Filing or Hedging Disruption, and the Substitute Shares and their respective issuers will be deemed “**Shares**” and a “**Share Company**”, respectively, and the Calculation Agent will adjust any relevant terms and conditions hereunder accordingly, provided that (for the avoidance of doubt) the Initial Reference Spot of each Substitute Share will be determined in accordance with the formula set out as below:

$$\text{Initial Reference Spot} = A \times (B / C)$$

Where:

“A” is the official closing price of the relevant Substitute Share on the Substitution Date;

“B” is the Initial Reference Spot of the relevant affected Share; and

“C” is the official closing price of the relevant affected Share on the Substitution Date.

In order to be selected as Substitute Shares, the relevant shares shall (if practicable as selected by the Calculation Agent on a best efforts basis) meet all or some of the following criteria:

1. a share which is not already comprised in the Basket;
2. a share which belongs to a similar economic sector as the affected Share; and
3. a share which is of comparable market capitalisation, international standing and exposure as the affected Share.

After selecting each Substitute Share, the Calculation Agent will, as soon as reasonably practicable, notify the Holders in accordance with General Condition 4 of the occurrence of the relevant events and the identity of each affected share and the relevant adjustment to the Basket will be deemed to be effective as of the date selected by the Calculation Agent in its absolute discretion acting in good faith and in a commercially reasonable manner and specified in such notice (the “**Substitution Date**”) which may, but need not, be the day upon which the relevant event occurred.

“**Tender Offer**” means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of a Share Company, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

- (c) In the event that any price quoted on the Exchange and which is utilised for any calculation or determination made hereunder is subsequently corrected and quoted or published by the Exchange within two Scheduled Trading Days of the previously published or quoted price, to the extent that the Calculation Agent is aware of the same, the Calculation Agent will take into account such correction when determining the relevant Coupon Amount and, to the extent necessary, the Calculation Agent will adjust the terms and conditions of the Securities to account for such correction.
- (d) The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it consider it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt by it of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determinations. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

## 5. EFFECT OF FINAL TERMS

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will

be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

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**CONDITIONS: PRODUCT CONDITIONS**  
**RELATING TO RATE NOTES**

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*The Product Conditions which follow relate to the Securities and must be read in conjunction with, and are subject to, the applicable Final Terms and the General Conditions (whether or not attached to this document). The applicable Final Terms, the Product Conditions and the General Conditions together constitute the Conditions of the Securities and will be printed on any Definitive Securities and attached to any Global Security representing the Securities.*

1. DEFINITIONS

“**Agent**” means each of the Principal Agent and Agent(s), each as specified in the applicable Final Terms, acting through its specified office and together, the “**Agents**”, which expression shall include any other Agent appointed pursuant to the provisions of General Condition 12;

“**Business Day**” means, unless specified otherwise in the applicable Final Terms, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business;

“**Cash Amount**” means an amount determined by the Calculation Agent in accordance with the formula specified in the definition of “Cash Amount” for the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

“**Clearing Agent**” means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a “**Clearing Agent**” and together the “**Clearing Agents**”);

“**Coupon**” means an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount;

“**Emerging Market Disruption Event**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

- (i) Moratorium. A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or
- (ii) Price Source Disruption. It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or

- (iii) Governmental Default. With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (A) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (B) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (C) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or
- (iv) Inconvertibility/non-transferability. The occurrence of any event which (A) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (B) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or
- (v) Nationalisation. Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or
- or
- (vi) Illiquidity. It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or
- (vii) Change in Law. A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or
- (viii) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or
- (ix) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency, or where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or

(x) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities;

“**Expenses**” means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security;

“**Final Terms**” means the document containing the specific terms relating to the Securities;

“**Governmental Authority**” is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate;

“**Interest Amount**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount, an amount calculated by the Calculation Agent as follows:

Nominal Amount x Interest Rate x Interest Rate Day Count Fraction;

“**Interest Payment Dates**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Interest Period**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date or the Issuer Call Date, as the case may be, and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date or the Issuer Call Date, as the case may be;

“**Interest Rate**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, the rate per annum specified as such, or determined in accordance with the formula specified, in the definition of the relevant Series in the applicable Final Terms;

“**Interest Rate Day Count Fraction**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms;

“**Issue Date**” means the date specified as such in the applicable Final Terms;

“**Issuer**” means The Royal Bank of Scotland Group plc incorporated in Scotland with its statutory seat in Edinburgh;

“**Issuer Call**” means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the termination of the Securities by the Issuer in accordance with Product Condition 3(b);

“**Issuer Call Cash Amount**” means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the amount specified, or determined by the Calculation Agent in accordance with the formula specified, in the definition of Issuer Call Cash Amount for the relevant Series in the applicable Final Terms, less Expenses. The Issuer Call Cash Amount payable to a Holder shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

“**Issuer Call Commencement Date**” means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the date specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Issuer Call Date**” means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each date specified as such in the definition of the relevant Series in the applicable Final Terms or, if no such date is specified, in the notice delivered in accordance with Product Condition 3(b);

“**Issuer Call Notice Period**” means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the period specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Market Disruption Event**” means each event specified as such in Product Condition 4, any Additional Market Disruption Events specified in the definition of the relevant Series in the applicable Final Terms and any Emerging Market Disruption Event;

“**Maturity Date**” means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Nominal Amount**” means the amount specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Payment Day**” means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross-settlement Express Transfer (TARGET 2) System is open;

“**Pricing Date**” means the date specified as such in the applicable Final Terms, subject to adjustment by the Issuer in adverse market conditions if, in the opinion of the Issuer, circumstances so require;

“**Reference Banks**” means the entities specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Relevant Currency”** means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying, is located provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt (“**ADR**”) or Global Depositary Receipt (“**GDR**”), the constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition;

**“Relevant Currency Exchange Rate”** means, each rate of exchange between the Relevant Currency and the Settlement Currency, or where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time;

**“Relevant Number of Days”** means the number of days, if any, specified as such in the definition of “Underlying Rate” for the relevant Series in the applicable Final Terms;

**“Screen Page”** means each page, if any, specified as such in the definition of “Underlying Rate” for the relevant Series in the applicable Final Terms or any successor to any such page which contains the same information;

**“Securities”** means each Series of the rate notes specified in the applicable Final Terms and each such note a “**Security**”. References to the terms “**Securities**” and “**Security**” shall be construed severally with respect to each Series specified in the applicable Final Terms;

**“Series”** mean each series of Securities set out in the applicable Final Terms;

**“Settlement Currency”** means the currency specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Standard Currency”** means unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time;

**“Underlying Rate”** means each rate specified as such in the definition of the relevant Series in the applicable Final Terms, as determined by the Calculation Agent by reference to the Screen Rate (if any) unless in the determination of the Calculation Agent, a Market Disruption Event has occurred, in which case the Underlying Rate shall be calculated in accordance with Product Condition 4; and

“**Valuation Time**” means at or around the time specified as such in the definition of the relevant Series in the applicable Final Terms or such other time as the Issuer may select in its absolute discretion and notify to Holders in accordance with General Condition 4.

Terms in capitals which are not defined in these Product Conditions shall have the meanings ascribed to them in the General Conditions.

## 2. FORM

- (a) Global Form. Except in the case of Securities issued in the form described in either Product Condition 2(b) or 2(c), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the “**Global Security**”) which will be deposited with a Clearing Agent or the depositary for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term “**Holder**” shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested as regards the Issuer and the Agents, solely in the bearer of the Global Security.
- (b) Dematerialised Form. Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time to time (the “**Rules**”). Accordingly, in these Conditions, the term “**Holder**” means a person in whose name a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

If CREST is specified as the Clearing Agent in the relevant Final Terms, the Securities will be cleared through CREST. Such Securities will be registered securities in dematerialised and uncertificated form, and will be (i) participating securities and (ii) uncertificated securities in accordance with the Uncertificated Securities Regulations 2001 (SI. No. 3755) as amended, supplemented or replaced from time to time (the “**Regulations**”).

Securities cleared through CREST may be transferred in accordance with the Regulations and the rules, procedures and practices of the relevant Operator (as defined below). No transfer of such Securities will be valid unless and until entered on the relevant Operator register of corporate securities (as defined in and in accordance with, the Regulations).

In the case of Securities cleared through CREST, title to the Securities is recorded on the relevant Operator register of corporate securities (as defined in the Regulations). The Registrar on behalf of the Issuer will maintain a register of such Securities recorded on the relevant Operator register of corporate securities (the “**Register**”) and shall procure that the Register is regularly updated to reflect the Operator register of corporate securities in accordance with the rules and practices from time to time of the Operator and the Regulations. Subject to this requirement, (i) each person who is for the time being shown in the Register as the holder of such Securities shall be treated by the Issuer and the Registrar as the holder of such Securities for all purposes and (ii) neither the Issuer nor the Registrar shall be liable in respect of any act or thing done or omitted to be done by it or on its behalf in reliance upon the assumption that the particulars entered in the Register which the Registrar maintains are in accordance with particulars entered in the Operator register of corporate securities relating to such Securities (and the expression “**Holder**” and related expressions shall be construed accordingly).

Any reference to the “**Operator**” (as such term is used in the Regulations) shall be to CREST and shall, whenever the context so permits, be deemed to include a reference to any such additional or alternative Operator approved by the Issuer from time to time in accordance with the Regulations and notified to the relevant Holders in accordance with General Condition 4.

Any indication herein that the Operator “shall do”, or similar expression or phrase indicating that they are obliged to or will carry out any role or obligation described in the Conditions and/or the applicable Final Terms, as the case may be, is given without any assumption by the Issuer, the relevant Registrar or the Calculation Agent of responsibility or liability for the performance of the Operator.

### 3. RIGHTS AND PROCEDURES

- (a) Redemption on the Maturity Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at the Cash Amount, such redemption to occur on the Maturity Date.
- (b) Issuer Call. If “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the Issuer may redeem the Securities in whole, but not in part, on any Issuer Call Date at the Issuer Call Cash Amount by giving Holders at

least the Issuer Call Notice Period notice of its intention to redeem the Securities, such notice to be given at any time from (and including) the Issuer Call Commencement Date. Any such notice shall be given in accordance with the provisions of General Condition 4 and shall specify the Issuer Call Date.

- (c) Interest Amount. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction and is payable on each Interest Payment Date and the Issuer Call Date (if applicable), as the case may be.
- (d) Interest Accrual. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date or the Issuer Call Date, as the case may be, in the event that payment of any amount is postponed due to a Market Disruption Event.
- (e) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (a) if "Modified Following" is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (b) if "Following" is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.
- (f) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount, any Issuer Call Cash Amount or any Interest Amount.
- (g) Settlement Risk. Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and none of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. None of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.

- (h) Method of Payment. Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.
- (i) Presentation and Surrender. Unless the Securities are cleared through CREST, the Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid. Where the Securities are cleared through CREST, General Condition 20 shall apply.

#### 4. ADJUSTMENTS

- (a) Market Disruption. The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred.

A “**Market Disruption Event**” means the situation in which an Underlying Rate is not available on the relevant Screen Page, in which case the relevant rate shall be determined by the Calculation Agent on the basis of quotations for the relevant rate, or such other related rate as the Calculation Agent shall in its sole and absolute discretion specify, provided by the Reference Banks at the Valuation Time for the relevant day. The Issuer will request the principal London office of each Reference Bank to provide a quotation of the relevant rate. The relevant rate will be the arithmetic mean of the quotations, eliminating the highest quotation (or in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest) if more than three quotations are provided. If it is not possible to obtain quotations of the relevant rate by at least three of the Reference Banks then the Calculation Agent will determine the relevant Underlying Rate at its sole and absolute discretion, which determination may be delayed for up to 180 days following the occurrence of an Emerging Market Disruption Event.

- (b) The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determination. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

5. EFFECT OF FINAL TERMS

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

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**CONDITIONS: PRODUCT CONDITIONS  
RELATING TO ZERO COUPON NOTES**

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*The Product Conditions which follow relate to the Securities and must be read in conjunction with, and are subject to, the applicable Final Terms and the General Conditions (whether or not attached to this document). The applicable Final Terms, the Product Conditions and the General Conditions together constitute the Conditions of the Securities and will be printed on any Definitive Securities and attached to any Global Security representing the Securities.*

1. DEFINITIONS

“**Agent**” means each of the Principal Agent and Agent(s), each as specified in the applicable Final Terms, acting through its specified office and together, the “**Agents**”, which expression shall include any other Agent appointed pursuant to the provisions of General Condition 12;

“**Business Day**” means, unless specified otherwise in the applicable Final Terms, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business;

“**Cash Amount**” means an amount determined by the Calculation Agent in accordance with the formula specified in the definition of “Cash Amount” for the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

“**Clearing Agent**” means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a “**Clearing Agent**” and together the “**Clearing Agents**”);

“**Expenses**” means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security;

“**Final Terms**” means the document containing the specific terms relating to the Securities;

“**Issue Date**” means the date specified as such in the applicable Final Terms;

“**Issuer**” means The Royal Bank of Scotland Group plc incorporated in Scotland with its statutory seat in Edinburgh;

“**Maturity Date**” means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Nominal Amount**” means the amount specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Payment Day**” means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross-settlement Express Transfer (TARGET 2) System is open;

“**Securities**” means each Series of the zero coupon notes specified in the applicable Final Terms and each such note a “**Security**”. References to the terms “**Securities**” and “**Security**” shall be construed severally with respect to each Series specified in the applicable Final Terms;

“**Series**” mean each series of Securities set out in the applicable Final Terms; and

“**Settlement Currency**” means the currency specified as such in the definition of the relevant Series in the applicable Final Terms.

Terms in capitals which are not defined in these Product Conditions shall have the meanings ascribed to them in the General Conditions.

## 2. FORM

- (a) Global Form. Except in the case of Securities issued in the form described in either Product Condition 2(b) or 2(c), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the “**Global Security**”) which will be deposited with a Clearing Agent or the depository for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term “**Holder**” shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested as regards the Issuer and the Agents, solely in the bearer of the Global Security.

- (b) Dematerialised Form. Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time to time (the “**Rules**”). Accordingly, in these Conditions, the term “**Holder**” means a person in whose name a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

If CREST is specified as the Clearing Agent in the relevant Final Terms, the Securities will be cleared through CREST. Such Securities will be registered securities in dematerialised and uncertificated form, and will be (i) participating securities and (ii) uncertificated securities in accordance with the Uncertificated Securities Regulations 2001 (SI. No. 3755) as amended, supplemented or replaced from time to time (the “**Regulations**”).

Securities cleared through CREST may be transferred in accordance with the Regulations and the rules, procedures and practices of the relevant Operator (as defined below). No transfer of such Securities will be valid unless and until entered on the relevant Operator register of corporate securities (as defined in and in accordance with, the Regulations).

In the case of Securities cleared through CREST, title to the Securities is recorded on the relevant Operator register of corporate securities (as defined in the Regulations). The Registrar on behalf of the Issuer will maintain a register of such Securities recorded on the relevant Operator register of corporate securities (the “**Register**”) and shall procure that the Register is regularly updated to reflect the Operator register of corporate securities in accordance with the rules and practices from time to time of the Operator and the Regulations. Subject to this requirement, (i) each person who is for the time being shown in the Register as the holder of such Securities shall be treated by the Issuer and the Registrar as the holder of such Securities for all purposes and (ii) neither the Issuer nor the Registrar shall be liable in respect of any act or thing done or omitted to be done by it or on its behalf in reliance upon the assumption that the particulars entered in the Register which the Registrar maintains are in accordance with particulars entered in the Operator register of corporate securities relating to such Securities (and the expression “**Holder**” and related expressions shall be construed accordingly).

Any reference to the “**Operator**” (as such term is used in the Regulations) shall be to CREST and shall, whenever the context so permits, be deemed to include a reference to any such additional or alternative Operator approved by the Issuer from time to time in

accordance with the Regulations and notified to the relevant Holders in accordance with General Condition 4.

Any indication herein that the Operator “shall do”, or similar expression or phrase indicating that they are obliged to or will carry out any role or obligation described in the Conditions and/or the applicable Final Terms, as the case may be, is given without any assumption by the Issuer, the relevant Registrar or the Calculation Agent of responsibility or liability for the performance of the Operator.

### 3. RIGHTS AND PROCEDURES

- (a) Redemption on the Maturity Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at the Cash Amount, such redemption to occur on the Maturity Date.
- (b) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (a) if "Modified Following" is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (b) if "Following" is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.
- (c) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount.
- (d) Settlement Risk. Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and none of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. None of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- (e) Method of Payment. Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the

Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.

- (f) Presentation and Surrender. Unless the Securities are cleared through CREST, the Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid. Where the Securities are cleared through CREST, General Condition 20 should apply.

#### 4. ADJUSTMENTS

The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determination. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

#### 5. EFFECT OF FINAL TERMS

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

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**CONDITIONS: PRODUCT CONDITIONS**  
**RELATING TO CURRENCY EXCHANGE NOTES**

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*The Product Conditions which follow relate to the Securities and must be read in conjunction with, and are subject to, the applicable Final Terms and the General Conditions (whether or not attached to this document). The applicable Final Terms, the Product Conditions and the General Conditions together constitute the Conditions of the Securities and will be printed on any Definitive Securities and attached to any Global Security representing the Securities.*

1. DEFINITIONS

“**Agent**” means each of the Principal Agent and Agent(s), each as specified in the applicable Final Terms, acting through its specified office and together, the “**Agents**”, which expression shall include any other Agent appointed pursuant to the provisions of General Condition 12;

“**Business Day**” means, unless specified otherwise in the applicable Final Terms, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business;

“**Cash Amount**” means an amount determined by the Calculation Agent in accordance with the formula specified in the definition of “Cash Amount” for the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

“**Clearing Agent**” means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a “**Clearing Agent**” and together the “**Clearing Agents**”);

“**Coupon**” means an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount;

“**Emerging Market Disruption Event**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

- (i) Moratorium. A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or
- (ii) Price Source Disruption. It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or

- (iii) Governmental Default. With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (A) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (B) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (C) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or
- (iv) Inconvertibility/non-transferability. The occurrence of any event which (A) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (B) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or
- (v) Nationalisation. Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or
- or
- (vi) Illiquidity. It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or
- (vii) Change in Law. A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or
- (viii) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or
- (ix) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency, or where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or

(x) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities;

“**Exchange Rate**” means each rate of exchange specified as such in the definition of the relevant Series in the applicable Final Terms, as determined by the Calculation Agent by reference to the Screen Page (if any) or to such other sources as the Calculation Agent may reasonably determine to be appropriate;

“**Expenses**” means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security;

“**Final Terms**” means the document containing the specific terms relating to the Securities;

“**Governmental Authority**” is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate;

“**Interest Amount**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount, an amount calculated by the Calculation Agent as follows:

Nominal Amount x Interest Rate x Interest Rate Day Count Fraction;

“**Interest Payment Dates**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Interest Period**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date or the Issuer Call Date, as the case may be, and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date or the Issuer Call Date, as the case may be;

“**Interest Rate**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, the rate per annum specified as such, or determined in accordance with the formula specified, in the definition of the relevant Series in the applicable Final Terms;

“**Interest Rate Day Count Fraction**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms;

“**Issue Date**” means the date specified as such in the applicable Final Terms;

“**Issuer**” means The Royal Bank of Scotland Group plc incorporated in Scotland with its statutory seat in Edinburgh;

“**Issuer Call**” means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the termination of the Securities by the Issuer in accordance with Product Condition 3(b);

“**Issuer Call Cash Amount**” means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the amount specified, or determined by the Calculation Agent in accordance with the formula specified, in the definition of Issuer Call Cash Amount for the relevant Series in the applicable Final Terms, less Expenses. The Issuer Call Cash Amount payable to a Holder shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

“**Issuer Call Commencement Date**” means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the date specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Issuer Call Date**” means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each date specified as such in the definition of the relevant Series in the applicable Final Terms or, if no such date is specified, in the notice delivered in accordance with Product Condition 3(b);

“**Issuer Call Notice Period**” means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the period specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Market Disruption Event**” means each event specified as such in Product Condition 4, any Additional Market Disruption Events specified in the definition of the relevant Series in the applicable Final Terms and any Emerging Market Disruption Event;

“**Maturity Date**” means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Nominal Amount**” means the amount specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Payment Day**” means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross-settlement Express Transfer (TARGET 2) System is open;

“**Pricing Date**” means the date or dates specified as such in the applicable Final Terms, subject to adjustment by the Issuer in adverse market conditions if, in the opinion of the Issuer, circumstances so require;

“**Relevant Currency**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying, is located provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt (“**ADR**”) or Global Depositary Receipt (“**GDR**”), the constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition;

“**Relevant Currency Exchange Rate**” means, each rate of exchange between the Relevant Currency and the Settlement Currency, or where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time;

“**Relevant Number of Trading Days**” means the number of Trading Days, if any, specified as such in the definition of “Exchange Rate” for the relevant Series in the applicable Final Terms;

“**Screen Page**” means each page, if any, specified as such in the definition of “Exchange Rate” for the relevant Series in the applicable Final Terms or any successor to any such page which contains the same information;

“**Securities**” means each Series of the currency exchange notes specified in the applicable Final Terms and each such note a “**Security**”. References to the terms “**Securities**” and “**Security**” shall be construed severally with respect to each Series specified in the applicable Final Terms;

“**Series**” mean each series of Securities set out in the applicable Final Terms;

“**Settlement Currency**” means the currency specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Standard Currency**” means unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time;

“**Trading Day**” means any day that is (or but for the occurrence of a Market Disruption Event, would have been) a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the Settlement Currency;

“**Underlying Currency**” means each currency specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Valuation Date**” means the date specified as such in the definition of the relevant Series in the applicable Final Terms or, in the case of an Issuer Call, the date specified as such in the notice delivered in accordance with Product Condition 3, or if such day is not a Trading Day, the first succeeding Trading Day thereafter unless, in the determination of the Calculation Agent, a Market Disruption Event has occurred on that day in which case the Valuation Date shall be the first Trading Day on which the Calculation Agent determines that there is no Market Disruption Event, unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Market Disruption Event) would have been a Valuation Date. In that case (a) the last day of the Relevant Number of Trading Days shall be deemed to be the Valuation Date (regardless of the Market Disruption Event); and (b) the Calculation Agent shall determine the relevant Exchange Rate(s) having regard to the then prevailing market conditions, the last reported rate(s) for the relevant Exchange Rate(s) and such other factors as the Calculation Agent determines to be relevant; and

“**Valuation Time**” means at or around the time specified as such in the definition of the relevant Series in the applicable Final Terms or such other time as the Issuer may select in its absolute discretion and notify to Holders in accordance with General Condition 4.

Terms in capitals which are not defined in these Product Conditions shall have the meanings ascribed to them in the General Conditions.

## 2. FORM

- (a) Global Form. Except in the case of Securities issued in the form described in either Product Condition 2(b) or 2(c), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the “**Global Security**”) which will be deposited with a Clearing Agent or the depositary for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal

amount of the Securities (and the term “**Holder**” shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested as regards the Issuer and the Agents, solely in the bearer of the Global Security.

- (b) Dematerialised Form. Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time to time (the “**Rules**”). Accordingly, in these Conditions, the term “**Holder**” means a person in whose name a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

If CREST is specified as the Clearing Agent in the relevant Final Terms, the Securities will be cleared through CREST. Such Securities will be registered securities in dematerialised and uncertificated form, and will be (i) participating securities and (ii) uncertificated securities in accordance with the Uncertificated Securities Regulations 2001 (SI. No. 3755) as amended, supplemented or replaced from time to time (the “**Regulations**”).

Securities cleared through CREST may be transferred in accordance with the Regulations and the rules, procedures and practices of the relevant Operator (as defined below). No transfer of such Securities will be valid unless and until entered on the relevant Operator register of corporate securities (as defined in and in accordance with, the Regulations).

In the case of Securities cleared through CREST, title to the Securities is recorded on the relevant Operator register of corporate securities (as defined in the Regulations). The Registrar on behalf of the Issuer will maintain a register of such Securities recorded on the relevant Operator register of corporate securities (the “**Register**”) and shall procure that the Register is regularly updated to reflect the Operator register of corporate securities in accordance with the rules and practices from time to time of the Operator and the Regulations. Subject to this requirement, (i) each person who is for the time being shown in the Register as the holder of such Securities shall be treated by the Issuer and the Registrar as the holder of such Securities for all purposes and (ii) neither the Issuer nor the Registrar shall be liable in respect of any act or thing done or omitted to be done by it or on its behalf in reliance upon the assumption that the particulars entered in the Register which the Registrar maintains are in accordance with particulars entered in the Operator register of corporate securities relating to such Securities (and the expression “**Holder**” and related expressions shall be construed accordingly).

Any reference to the “**Operator**” (as such term is used in the Regulations) shall be to CREST and shall, whenever the context so permits, be deemed to include a reference to any such additional or alternative Operator approved by the Issuer from time to time in accordance with the Regulations and notified to the relevant Holders in accordance with General Condition 4.

Any indication herein that the Operator “shall do”, or similar expression or phrase indicating that they are obliged to or will carry out any role or obligation described in the Conditions and/or the applicable Final Terms, as the case may be, is given without any assumption by the Issuer, the relevant Registrar or the Calculation Agent of responsibility or liability for the performance of the Operator.

### 3. RIGHTS AND PROCEDURES

- (a) Redemption on the Maturity Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at the Cash Amount, such redemption to occur on the Maturity Date.
- (b) Issuer Call. If “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the Issuer may redeem the Securities in whole, but not in part, on any Issuer Call Date at the Issuer Call Cash Amount by giving Holders at least the Issuer Call Notice Period notice of its intention to redeem the Securities, such notice to be given at any time from (and including) the Issuer Call Commencement Date. Any such notice shall be given in accordance with the provisions of General Condition 4 and shall specify the Issuer Call Date.
- (c) Interest Amount. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction and is payable on each Interest Payment Date and the Issuer Call Date (if applicable), as the case may be.
- (d) Interest Accrual. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date or the Issuer Call Date, as the case may be, in the event that payment of any amount is postponed due to a Market Disruption Event.
- (e) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (a) if "Modified Following" is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first

preceding Payment Day or (b) if "Following" is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.

- (f) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount, any Issuer Call Cash Amount or any Interest Amount.
- (g) Settlement Risk. Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and none of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. None of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- (h) Method of Payment. Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.
- (i) Presentation and Surrender. Unless the Securities are cleared through CREST, the Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid. Where the Securities are cleared through CREST, General Condition 20 shall apply.

#### 4. ADJUSTMENTS

Market Disruption. The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred. A “**Market Disruption Event**” means:

- (a) Price Source Disruption. If it becomes impossible to obtain any one or more Exchange Rates on the Valuation Date; or
- (b) Governmental Default. If with respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (i) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (ii) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (iii) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or
- (c) Inconvertibility/non-transferrability. The occurrence of any event which (i) generally makes it impossible to convert the currencies in any one or more Exchange Rates through customary legal channels for conducting such conversion in the principal financial centre of an Underlying Currency or (ii) generally makes it impossible to deliver an Underlying Currency from accounts in the country of the principal financial centre of that Underlying Currency to accounts outside such jurisdiction or the Settlement Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or
- (d) Nationalisation. Any expropriation, confiscation, requisition, nationalization or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates), of all or substantially all of its assets in the country of the principal financial centre of an Underlying Currency; or
- (e) Illiquidity. Any impossibility in obtaining a firm quote for any one or more Exchange Rates or the Settlement Currency for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or

- (f) Change in Law. A change in law in the country of the principal financial centre of an Underlying Currency which may affect the ownership in and/or the transferability of that Underlying Currency; or
- (g) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of an Underlying Currency; or
- (h) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of an Underlying Currency; or
- (i) Other Events. Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities.

For this purpose a “**Governmental Authority**” is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of the Settlement Currency.

The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determinations. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

## 5. EFFECT OF FINAL TERMS

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

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**CONDITIONS: PRODUCT CONDITIONS**  
**RELATING TO YIELD DISCOVERY NOTES**

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*The Product Conditions which follow relate to the Securities and must be read in conjunction with, and are subject to, the applicable Final Terms and the General Conditions (whether or not attached to this document). The applicable Final Terms, the Product Conditions and the General Conditions together constitute the Conditions of the Securities and will be printed on any Definitive Securities and attached to any Global Security representing the Securities.*

1. DEFINITIONS

“**Agent**” means each of the Principal Agent and Agent(s), each as specified in the applicable Final Terms, acting through its specified office and together, the “**Agents**”, which expression shall include any other Agent appointed pursuant to the provisions of General Condition 12;

“**Basket**” means the basket specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Business Day**” means, unless specified otherwise in the applicable Final Terms, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business;

“**Cash Amount**” means an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

“**Clearing Agent**” means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a “**Clearing Agent**” and together the “**Clearing Agents**”);

“**Coupon**” means an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount;

“**Emerging Market Disruption Event**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

- (i) Moratorium. A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or

- (ii) Price Source Disruption. It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or
- (iii) Governmental Default. With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (A) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (B) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (C) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or
- (iv) Inconvertibility/non-transferability. The occurrence of any event which (A) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (B) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or
- (v) Nationalisation. Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or
- (vi) Illiquidity. It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or
- (vii) Change in Law. A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or
- (viii) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or
- (ix) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency, or where the Settlement Currency is

the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or

(x) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities;

**“Exchange”** means, with respect to each Share, either the exchange or quotation system specified as such in the definition of Basket for the relevant Series in the applicable Final Terms or, if none is so specified, the exchange on which the Share has its primary listing;

**“Expenses”** means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security;

**“Final Terms”** means the document containing the specific terms relating to the Securities;

**“Governmental Authority”** is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate;

**“Initial Reference Price”** means, unless specified otherwise in the definition of the relevant Series in the applicable Final Terms, in relation to each Share, an amount equal to the price of the Share quoted on the Exchange at the Valuation Time on the Pricing Date as determined by the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such price can be determined and no Market Disruption Event has occurred and is continuing) a price determined by the Calculation Agent as its good faith estimate of the price of the Share on such date having regard to the then prevailing market conditions, the last reported trading price of the Share on the Exchange and such other factors as the Calculation Agent determines relevant, subject to adjustment in accordance with Product Condition 4;

**“Interest Amount”** means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount, an amount calculated by the Calculation Agent as follows:

Nominal Amount x Interest Rate x Interest Rate Day Count Fraction;

**“Interest Payment Dates”** means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series or, in the event that any Valuation Date is delayed in relation to any of the Shares due to a Market Disruption Event, such later date being not more than four Business Days after the relevant Valuation Date as the Calculation Agent may in its sole and absolute discretion determine;

**“Interest Period”** means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date or the Issuer Call Date, as the case may be, and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date or the Issuer Call Date, as the case may be;

**“Interest Rate”** means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, the rate per annum specified as such, or determined in accordance with the formula specified, in the definition of the relevant Series in the applicable Final Terms;

**“Interest Rate Day Count Fraction”** means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms;

**“Issue Date”** means the date specified as such in the applicable Final Terms;

**“Issuer”** means The Royal Bank of Scotland Group plc incorporated in Scotland with its statutory seat in Edinburgh;

**“Issuer Call”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the termination of the Securities by the Issuer in accordance with Product Condition 3(b);

**“Issuer Call Cash Amount”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the amount specified, or determined by the Calculation Agent in accordance with the formula specified, in the definition of Issuer Call Cash Amount for the relevant Series in the applicable Final Terms, less Expenses. The Issuer Call Cash Amount payable to a Holder shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

**“Issuer Call Commencement Date”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the date specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Issuer Call Date”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each date specified as such in the definition of the relevant Series in the applicable Final Terms or, if no such date is specified, in the notice delivered in accordance with Product Condition 3(b);

**“Issuer Call Notice Period”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the period specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Market Disruption Event**” means each event specified as such in Product Condition 4, any Additional Market Disruption Events specified in the definition of the relevant Series in the applicable Final Terms and any Emerging Market Disruption Event;

“**Maturity Date**” means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Nominal Amount**” means the amount specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Payment Day**” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign exchange currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross-settlement Express Transfer (TARGET 2) System is open;

“**Pricing Date**” means the date specified as such in the applicable Final Terms, subject to adjustment by the Issuer in adverse market conditions if, in the opinion of the Issuer, circumstances so require;

“**Reference Price**” means, in relation to each Share, an amount equal to the price of a Share quoted on the Exchange at the Valuation Time on the relevant Valuation Date as determined by the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such price can be determined and no Market Disruption Event has occurred and is continuing) a price determined by the Calculation Agent as its good faith estimate of the price of the Share on such date having regard to the then prevailing market conditions, the last reported trading price of the Share on the Exchange and such other factors as the Calculation Agent determines relevant;

“**Related Exchange**” means an options or futures exchange or quotation system on which options contracts or futures contracts or other derivatives contracts on the Shares are traded;

“**Relevant Currency**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying, is located provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt (“**ADR**”) or Global Depositary Receipt (“**GDR**”), the constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition;

“**Relevant Currency Exchange Rate**” means each rate of exchange between the Relevant Currency and the Settlement Currency, or where the Relevant Currency is the Settlement Currency, between the Relevant

Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time;

“**Relevant Number of Trading Days**” means the number of Trading Days, if any, specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Securities**” means each Series of the yield discovery notes specified in the applicable Final Terms and each such note a “**Security**”. References to the terms “**Securities**” and “**Security**” shall be construed severally with respect to each Series specified in the applicable Final Terms;

“**Series**” mean each series of Securities set out in the applicable Final Terms;

“**Settlement Currency**” means the currency specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Settlement Date**” means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Share**” means each share specified as such in the definition of Basket for the relevant Series in the applicable Final Terms or, if none is so specified, each share within the Basket, subject to Product Condition 4, and “**Shares**” shall be construed accordingly;

“**Share Company**” means, with respect to each Share, the share company specified as such in the definition of Basket for the relevant Series in the applicable Final Terms or, if none is so specified, the issuer of the Share;

“**Standard Currency**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time;

“**Trading Day**” means any day that is (or, but for the occurrence of a Market Disruption Event, would have been) a trading day on each Exchange and each Related Exchange other than a day on which trading on the Exchange or any Related Exchange is scheduled to close prior to its regular weekday closing time;

“**Valuation Date**” means, in relation to each Share, each of the dates specified in the definition of the relevant Series in the applicable Final Terms or, if any such date is not a Trading Day, the first Trading Day thereafter unless, in the determination of the Calculation Agent, a Market Disruption Event has occurred on that day, in which case the Valuation Date shall be the first succeeding Trading Day on which the Calculation Agent determines that there is no Market Disruption Event, unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Market Disruption Event) would have been

a Valuation Date. In that case (i) the last day of the Relevant Number of Trading Days shall be deemed to be the Valuation Date (regardless of the Market Disruption Event); and (ii) the Calculation Agent shall determine the Reference Price having regard to the then prevailing market conditions, the last reported trading price of the Shares and such other factors as the Calculation Agent determines to be relevant; and

“**Valuation Time**” means the close of trading on the relevant Exchange in relation to a Share or such other time as the Issuer may select in its absolute discretion and notify to Holders in accordance with General Condition 4.

Terms in capitals which are not defined in these Product Conditions shall have the meanings ascribed to them in the General Conditions.

## 2. FORM

- (a) Global Form. Except in the case of Securities issued in the form described in either Product Condition 2(b) or 2(c), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the “**Global Security**”) which will be deposited with a Clearing Agent or the depositary for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term “**Holder**” shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested as regards the Issuer and the Agents, solely in the bearer of the Global Security.
- (b) Dematerialised Form. Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time to time (the “**Rules**”). Accordingly, in these Conditions, the term “**Holder**” means a person in whose name a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

If CREST is specified as the Clearing Agent in the relevant Final Terms, the Securities will be cleared through CREST. Such Securities will be registered securities in dematerialised and uncertificated form, and will be (i) participating securities and (ii) uncertificated securities in accordance with the Uncertificated Securities Regulations 2001 (SI. No. 3755) as amended, supplemented or replaced from time to time (the “**Regulations**”).

Securities cleared through CREST may be transferred in accordance with the Regulations and the rules, procedures and practices of the relevant Operator (as defined below). No transfer of such Securities will be valid unless and until entered on the relevant Operator register of corporate securities (as defined in and in accordance with, the Regulations).

In the case of Securities cleared through CREST, title to the Securities is recorded on the relevant Operator register of corporate securities (as defined in the Regulations). The Registrar on behalf of the Issuer will maintain a register of such Securities recorded on the relevant Operator register of corporate securities (the “**Register**”) and shall procure that the Register is regularly updated to reflect the Operator register of corporate securities in accordance with the rules and practices from time to time of the Operator and the Regulations. Subject to this requirement, (i) each person who is for the time being shown in the Register as the holder of such Securities shall be treated by the Issuer and the Registrar as the holder of such Securities for all purposes and (ii) neither the Issuer nor the Registrar shall be liable in respect of any act or thing done or omitted to be done by it or on its behalf in reliance upon the assumption that the particulars entered in the Register which the Registrar maintains are in accordance with particulars entered in the Operator register of corporate securities relating to such Securities (and the expression “**Holder**” and related expressions shall be construed accordingly).

Any reference to the “**Operator**” (as such term is used in the Regulations) shall be to CREST and shall, whenever the context so permits, be deemed to include a reference to any such additional or alternative Operator approved by the Issuer from time to time in accordance with the Regulations and notified to the relevant Holders in accordance with General Condition 4.

Any indication herein that the Operator “shall do”, or similar expression or phrase indicating that they are obliged to or will carry out any role or obligation described in the Conditions and/or the applicable Final Terms, as the case may be, is given without any assumption by the Issuer, the relevant Registrar or the Calculation Agent of responsibility or liability for the performance of the Operator.

3. RIGHTS AND PROCEDURES

- (a) Redemption on the Settlement Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at the Cash Amount, such redemption to occur on the Settlement Date.
- (b) Issuer Call. If “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the Issuer may redeem the Securities in whole, but not in part, on any Issuer Call Date at the Issuer Call Cash Amount by giving Holders at least the Issuer Call Notice Period notice of its intention to redeem the Securities, such notice to be given at any time from (and including) the Issuer Call Commencement Date. Any such notice shall be given in accordance with the provisions of General Condition 4 and shall specify the Issuer Call Date.
- (c) Interest Amount. If “Interest” is specified as being applicable in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction and is payable on each Interest Payment Date and the Issuer Call Date (if applicable), as the case may be.
- (d) Interest Accrual. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date or the Issuer Call Date, as the case may be, in the event that payment of any amount is postponed due to a Market Disruption Event.
- (e) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (a) if "Modified Following" is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (b) if "Following" is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.
- (f) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent, or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount, any Issuer Call Cash Amount or any Interest Amount.

The purchase of Securities does not confer on any holder of such Securities any rights (whether in respect of voting, distributions or otherwise) attached to the Shares.

- (g) **Settlement Risk.** Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and none of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. None of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- (h) **Method of Payment.** Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.
- (i) **Presentation and Surrender.** Unless the Securities are cleared through CREST, the Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid. Where the Securities are cleared through CREST, General Condition 20 shall apply.

#### 4. ADJUSTMENTS

- (a) **Market Disruption.** The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred.

**“Market Disruption Event”** means:

- (i) the occurrence or existence on any Trading Day during the one hour period that ends at the official close of trading on the Exchange or any Related Exchange of any suspension of or limitation imposed on trading or the disruption or impairment in the

ability of market participants in general to effect transactions (by reason of movements in price reaching or exceeding limits permitted by the relevant exchange or otherwise):

- (A) in the Shares on the Exchange or any other exchange on which the Shares are listed; or
  - (B) in any options contracts or futures contracts or other derivatives contracts relating to the Shares on any Related Exchange if, in the determination of the Calculation Agent, such suspension or limitation is material; or
- (ii) a general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located.

For the purposes of this definition, a limitation on the hours and number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the Exchange or any Related Exchange, but a limitation on trading imposed during the course of the day by reason of movements in price otherwise exceeding levels permitted by the Exchange or any Related Exchange may, if so determined by the Calculation Agent, constitute a Market Disruption Event.

- (b) Potential Adjustment Events. Following a declaration by the Share Company of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Share and, if so, will:
- (i) make the corresponding adjustment, if any, to any one or more of the Conditions as the Calculation Agent determines appropriate to account for that diluting or concentrative effect; and
  - (ii) determine the effective date of that adjustment.

The Calculation Agent may, but need not, determine the adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an options exchange to options on the Shares traded on that options exchange. Upon making any such adjustment, the Calculation Agent shall notify the Holders in accordance with General Condition 4, stating the adjustment to be made to the Conditions and giving brief details of the Potential Adjustment Event.

**“Potential Adjustment Event”** means any of the following: (A) a subdivision, consolidation or reclassification of relevant Shares (unless a Merger Event) or a free distribution or dividend of such Shares to existing holders of the relevant Shares by way of bonus, capitalisation, recapitalisation or similar issue; (B) a distribution or dividend to

existing holders of the relevant Shares of (aa) such Shares, or (bb) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Share Company equally or proportionately with such payments to holders of such Shares, or (cc) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other) at less than the prevailing market price as determined by the Calculation Agent; (C) an extraordinary dividend; (D) a distribution of cash dividends on the Shares equal to or greater than 8 per cent. per annum of the then current market value of the Shares; (E) a call by the Share Company in respect of relevant Shares that are not fully paid; (F) a repurchase by the Share Company of relevant Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or (G) any other similar event that may have a diluting or concentrative effect on the theoretical value of the relevant Shares.

- (c) De-listing, Merger Event, Nationalisation and Insolvency. If a De-listing, Merger Event, Nationalisation or Insolvency occurs in relation to the Share Company, the Issuer in its sole and absolute discretion may take the action described in (i), (ii) or (iii) below:
- (i) require the Calculation Agent to determine in its sole and absolute discretion the appropriate adjustment, if any, to be made to any of the other terms of these Conditions to account for the De-listing, Merger Event, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The Calculation Agent may (but is under no obligation to) determine the appropriate adjustment by reference to the adjustment in respect of the De-listing, Merger Event, Nationalisation or Insolvency made by any Related Exchange to options contracts or futures contracts or other derivatives contracts on the Shares traded on such Related Exchange; or
  - (ii) cancel the Securities by giving notice to Holders in accordance with General Condition 4. If the Securities are to be cancelled the Issuer will pay an amount to each Holder in respect of each Security held by him which amount shall be the fair market value of a Security (taking into account the De-listing, Merger Event, Nationalisation or Insolvency (as the case may be)) on the day selected for cancellation as shall be selected by the Issuer in its sole and absolute discretion adjusted to account fully for any losses, expenses and costs to the Issuer and/or any affiliate of the Issuer of unwinding or adjusting any underlying or related hedging arrangements (including but not limited to any equity options or selling or otherwise realising any Shares or other instruments of any type whatsoever which the Issuer and/or any of its affiliates may hold as part of such hedging arrangements), all as determined by the Calculation Agent in its sole and absolute discretion. Payment

will be made in such manner as shall be notified to the Holders in accordance with General Condition 4; or

- (iii) following any adjustment to the settlement of terms of options contracts or futures contracts or any other derivatives contracts on the Shares traded on any Related Exchange, require the Calculation Agent to make a corresponding adjustment to any of the other terms of these Conditions, which adjustment will be effective as of the date determined by the Calculation Agent to be the effective date of the corresponding adjustment made by the Related Exchange. If options contracts or futures contracts or other derivatives contracts on the Shares are not traded on the Related Exchange, the Calculation Agent will make such adjustment, if any, to any of the other terms of these Conditions as the Calculation Agent in its sole and absolute discretion determines appropriate, with reference to the rules and precedents (if any) set by the Related Exchange to account for the De-listing, Merger Event, Nationalisation or Insolvency (as the case may be) that in the determination of the Calculation Agent would have given rise to an adjustment by the Related Exchange if such options contracts or futures contracts or other derivatives contracts were so traded.

Upon the occurrence of a De-listing, Merger Event, Nationalisation or Insolvency, the Calculation Agent shall notify the Holders in accordance with General Condition 4, stating the occurrence of such De-listing, Merger Event, Nationalisation or Insolvency (as the case may be) and action proposed to be taken in relation thereto.

**“De-listing”** means a Share for any reason ceases to be listed or is suspended from listing on the Exchange or any other exchange on which the Shares are listed (and such cessation or suspension is continuing and such Share is not subsequently listed or quoted on another stock exchange or quotation system acceptable to the Issuer).

**“Merger Date”** means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent.

**“Merger Event”** means any (A) reclassification or change to the Shares that results in a transfer of or an irrevocable commitment to transfer all or a majority of outstanding Shares; (B) consolidation, amalgamation, merger or binding share exchange of a Share Company with or into another entity (other than a consolidation, amalgamation, merger or binding share exchange in which such Share Company is the continuing entity and which does not result in any such reclassification or change to all the outstanding Shares); or (C) take-over offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Shares that results in

a transfer of or an irrevocable commitment to transfer a majority of the voting power of the Share Company to the offeror, in each case if the Merger Date is on or before the Valuation Date.

“**Nationalisation**” means that all the Shares of a Share Company or all the assets or substantially all the assets of a Share Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority or entity.

“**Insolvency**” means that by reason of the voluntary or involuntary liquidation, bankruptcy or insolvency of or any analogous proceeding affecting a Share Company (A) all the Shares are required to be transferred to a receiver, trustee, liquidator or other similar official or (B) holders of the Shares of that Share Company become legally prohibited from transferring them.

- (d) The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determinations. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

## 5. EFFECT OF FINAL TERMS

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

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**CONDITIONS: PRODUCT CONDITIONS**  
**RELATING TO CERTIFICATE NOTES**

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*The Product Conditions which follow relate to the Securities and must be read in conjunction with, and are subject to, the applicable Final Terms and the General Conditions (whether or not attached to this document). The applicable Final Terms, the Product Conditions and the General Conditions together constitute the Conditions of the Securities and will be printed on any Definitive Securities and attached to any Global Security representing the Securities.*

1. DEFINITIONS

“**Agent**” means the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and together, the “**Agents**”, which expression shall include any other Agent appointed pursuant to the provisions of General Condition 12;

“**Basket**” means, unless for the relevant Series “Basket” is specified in the applicable Final Terms as being “Not Applicable”, the basket specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Business Day**” means, unless specified otherwise in the applicable Final Terms, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business;

“**Cash Amount**” means an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

“**Certificate**” means the Certificate specified as such in the definition of the relevant Series in the applicable Final Terms, subject to adjustment in accordance with Product Condition 4;

“**Clearing Agent**” means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a “**Clearing Agent**” and together the “**Clearing Agents**”);

“**Coupon**” means, if the Securities are interest bearing, an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount;

“**Emerging Market Disruption Event**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

- (i) Moratorium. A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or
- (ii) Price Source Disruption. It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or
- (iii) Governmental Default. With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (A) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (B) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (C) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or
- (iv) Inconvertibility/non-transferability. The occurrence of any event which (A) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (B) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or
- (v) Nationalisation. Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or
- (vi) Illiquidity. It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or
- (vii) Change in Law. A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or

- (viii) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or
- (ix) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency, or where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or
- (x) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities;

“**Exchange**” means, with respect to each Certificate, the exchange specified as such in the definition of “Basket” or specified as such in the definition of the relevant Series in the applicable Final Terms or any successor to such exchange;

“**Expenses**” means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security;

“**Final Reference Price**” means, unless specified otherwise in the definition of the relevant Series in the applicable Final Terms, an amount, subject to adjustment in accordance with Product Condition 4, equal to (i) the level of the Basket at the Valuation Time on the Valuation Date calculated as the sum of, for each Certificate, its Weight multiplied by the level of such Certificate at the Valuation Time on the Valuation Date, or (ii) for the relevant Series, if “Basket” is specified in the applicable Final Terms as being “Not Applicable”, the price of the Certificate, in each case quoted on the Exchange at the close of trading on the Valuation Date as determined by the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such price can be determined and no Market Disruption Event has occurred and is continuing) a price determined by the Calculation Agent as its good faith estimate of the closing price of the Basket or the Certificate, as applicable, on such date having regard to the then prevailing market conditions, the last reported trading price of the Certificate(s) on the Exchange and such other factors as the Calculation Agent determines relevant;

“**Final Terms**” means the document containing the specific terms relating to the Securities;

“**Governmental Authority**” is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate;

“**Initial Reference Price**” means, unless specified otherwise in the definition of the relevant Series in the applicable Final Terms, an amount, subject to adjustment in accordance with Product Condition 4, equal to (i) the level of the Basket at the Valuation Time on the Pricing Date calculated as the sum of, for each

Certificate, its Weight multiplied by the level of such Certificate at the Valuation Time on the Pricing Date, or (ii) for the relevant Series, if “Basket” is specified in the applicable Final Terms as being “Not Applicable”, the price of the Certificate, in each case quoted on the Exchange at the close of trading on the Pricing Date as determined by the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such price can be determined and no Market Disruption Event has occurred and is continuing) a price determined by the Calculation Agent as its good faith estimate of the closing price of the Basket or the Certificate, as applicable, on such date having regard to the then prevailing market conditions, the last reported trading price of the Certificate(s) on the Exchange and such other factors as the Calculation Agent determines relevant;

“**Interest Amount**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount, an amount calculated by the Calculation Agent as follows:

Nominal Amount x Interest Rate x Interest Rate Day Count Fraction;

“**Interest Payment Dates**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Interest Period**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date or the Issuer Call Date, as the case may be, and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date or the Issuer Call Date, as the case may be;

“**Interest Rate**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, the rate per annum specified as such, or determined in accordance with the formula specified, in the definition of the relevant Series in the applicable Final Terms;

“**Interest Rate Day Count Fraction**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms;

“**Issue Date**” means the date specified as such in the applicable Final Terms;

“**Issuer**” means The Royal Bank of Scotland Group plc incorporated in Scotland with its statutory seat in Edinburgh;

“**Issuer Call**” means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the termination of the Securities by the Issuer in accordance with Product Condition 3(b);

“**Issuer Call Cash Amount**” means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the amount specified, or determined by the Calculation Agent in accordance with the formula specified, in the definition of Issuer Call Cash Amount for the relevant Series in the applicable Final Terms, less Expenses. The Issuer Call Cash Amount payable to a Holder shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

“**Issuer Call Commencement Date**” means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the date specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Issuer Call Date**” means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each date specified as such in the definition of the relevant Series in the applicable Final Terms or, if no such date is specified, in the notice delivered in accordance with Product Condition 3(b);

“**Issuer Call Notice Period**” means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the period specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Market Disruption Event**” means each event specified as such in Product Condition 4, any Additional Market Disruption Events specified in the definition of the relevant Series in the applicable Final Terms and any Emerging Market Disruption Event;

“**Maturity Date**” means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Nominal Amount**” means the amount specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Participation**” means the rate specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Payment Day**” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign exchange currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET 2) System is open;

“**Pricing Date**” means the date or dates specified as such in the applicable Final Terms, subject to adjustment by the Issuer in adverse market conditions if, in the opinion of the Issuer, circumstances so require;

“**Related Exchange**” means an options or futures exchange or quotation system on which options contracts or futures contracts or other derivatives contracts on the Certificates are traded;

“**Relevant Currency**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying, is located provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt (“**ADR**”) or Global Depositary Receipt (“**GDR**”), the constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition;

“**Relevant Currency Exchange Rate**” means, each rate of exchange between the Relevant Currency and the Settlement Currency, or where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time;

“**Relevant Number of Business Days**” means the number of Business Days, if any, specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Relevant Number of Trading Days**” means the number of Trading Days, if any, specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Securities**” means each Series of the certificate notes specified in the applicable Final Terms and each such note a “**Security**”. References to the terms “**Securities**” and “**Security**” shall be construed severally with respect to each Series specified in the applicable Final Terms;

“**Series**” mean each Series of Securities set out in the applicable Final Terms;

“**Settlement Currency**” means the currency specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Settlement Date**” means, unless specified otherwise in the applicable Final Terms, the Maturity Date or if later, the Relevant Number of Business Days following the Valuation Date;

“**Standard Currency**” means unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United

Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time;

“**Trading Day**” means any day that is (or, but for the occurrence of a Market Disruption Event, would have been) a trading day on each Exchange or Related Exchange other than a day on which trading on the Exchange or Related Exchange is scheduled to close prior to its regular weekday closing time;

“**Valuation Date**” means the date or dates specified in the definition of the relevant Series in the applicable Final Terms or, if such date is not a Trading Day, the first Trading Day thereafter unless, in the determination of the Calculation Agent, a Market Disruption Event has occurred on that day in which case the Valuation Date shall be the first succeeding Trading Day on which the Calculation Agent determines that there is no Market Disruption Event, unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Market Disruption Event) would have been a Valuation Date. In that case (i) the last day of the Relevant Number of Trading Days shall be deemed to be the Valuation Date (regardless of the Market Disruption Event); and (ii) the Calculation Agent shall determine the Final Reference Price having regard to the then prevailing market conditions, the last reported trading price of the Certificate(s) and such other factors as the Calculation Agent determines to be relevant;

“**Valuation Time**” means the close of trading on the relevant Exchange in relation to a Certificate or such other time as the Issuer may determine in its absolute discretion and notify to Holders in accordance with General Condition 4; and

“**Weight**” means, unless for the relevant Series “Basket” is specified in the applicable Final Terms as being “Not Applicable”, for each Certificate, the percentage specified as such in the definition of Basket of the relevant Series in the applicable Final Terms, subject to adjustment in accordance with Product Condition 4.

Terms in capitals which are not defined in these Product Conditions shall have the meanings ascribed to them in the General Conditions.

## 2. FORM

- (a) Global Form. Except in the case of Securities issued in the form described in either Product Condition 2(b) or 2(c), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the “**Global Security**”) which will be deposited with a Clearing Agent or the depositary for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of

the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term “**Holder**” shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested as regards the Issuer and the Agents, solely in the bearer of the Global Security.

- (b) Dematerialised Form. Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time to time (the “**Rules**”). Accordingly, in these Conditions, the term “**Holder**” means a person in whose name a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

If CREST is specified as the Clearing Agent in the relevant Final Terms, the Securities will be cleared through CREST. Such Securities will be registered securities in dematerialised and uncertificated form, and will be (i) participating securities and (ii) uncertificated securities in accordance with the Uncertificated Securities Regulations 2001 (SI. No. 3755) as amended, supplemented or replaced from time to time (the “**Regulations**”).

Securities cleared through CREST may be transferred in accordance with the Regulations and the rules, procedures and practices of the relevant Operator (as defined below). No transfer of such Securities will be valid unless and until entered on the relevant Operator register of corporate securities (as defined in and in accordance with, the Regulations).

In the case of Securities cleared through CREST, title to the Securities is recorded on the relevant Operator register of corporate securities (as defined in the Regulations). The Registrar on behalf of the Issuer will maintain a register of such Securities recorded on the relevant Operator register of corporate securities (the “**Register**”) and shall procure that the Register is regularly updated to reflect the Operator register of corporate securities in accordance with the rules and practices from time to time of the Operator and the Regulations. Subject to this requirement, (i) each person who is for the time being shown in the Register as the holder of such Securities shall be treated by the Issuer and the Registrar as the holder of such Securities for all purposes and (ii) neither the Issuer nor the Registrar shall be liable in respect of any act or thing done or omitted to be done by it or on its behalf in reliance upon the assumption that the particulars entered in the Register which the Registrar maintains are in accordance with particulars entered in the Operator register of

corporate securities relating to such Securities (and the expression “**Holder**” and related expressions shall be construed accordingly).

Any reference to the “**Operator**” (as such term is used in the Regulations) shall be to CREST and shall, whenever the context so permits, be deemed to include a reference to any such additional or alternative Operator approved by the Issuer from time to time in accordance with the Regulations and notified to the relevant Holders in accordance with General Condition 4.

Any indication herein that the Operator “shall do”, or similar expression or phrase indicating that they are obliged to or will carry out any role or obligation described in the Conditions and/or the applicable Final Terms, as the case may be, is given without any assumption by the Issuer, the relevant Registrar or the Calculation Agent of responsibility or liability for the performance of the Operator.

### 3. RIGHTS AND PROCEDURES

- (a) Redemption on the Settlement Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at the Cash Amount, such redemption to occur on the Settlement Date.
- (b) Issuer Call. If “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the Issuer may redeem the Securities in whole, but not in part, on any Issuer Call Date at the Issuer Call Cash Amount by giving Holders at least the Issuer Call Notice Period notice of its intention to redeem the Securities, such notice to be given at any time from (and including) the Issuer Call Commencement Date. Any such notice shall be given in accordance with the provisions of General Condition 4 and shall specify the Issuer Call Date.
- (c) Interest Amount. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction, and is payable on each Interest Payment Date and the Issuer Call Date (if applicable), as the case may be.
- (d) Interest Accrual. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date or the Issuer Call Date, as the case may be, in the event that payment of any amount is postponed due to a Market Disruption Event.
- (e) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (a) if “Modified

Following" is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (b) if "Following" is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.

- (f) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent, or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount, any Issuer Call Cash Amount or any Interest Amount.
- (g) Settlement Risk. Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and none of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. None of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- (h) Method of Payment. Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.
- (i) Presentation and Surrender. Unless the Securities are cleared through CREST, the Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid. Where the Securities are cleared through CREST, General Condition 20 shall apply.

4. ADJUSTMENTS

(a) **Market Disruption.** The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred. A “**Market Disruption Event**” means:

- (i) the occurrence or existence on any Trading Day during the one hour period that ends at the official close of trading on the Exchange or any Related Exchange of any suspension of or limitation imposed on trading or the disruption or impairment in the ability of market participants in general to effect transactions (by reason of movements in price reaching or exceeding limits permitted by the relevant exchange or otherwise):
  - (A) in the Certificates on the Exchange or any other exchange on which the Certificates are traded; or
  - (B) in any options contracts or futures contracts or other derivatives contracts relating to the Certificates on any Related Exchange, if, in the determination of the Calculation Agent, such suspension or limitation is material; or
- (ii) a general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located.

For the purposes of this definition, a limitation on the hours and number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the Exchange or any Related Exchange, but a limitation on trading imposed during the course of the day by reason of movements in price otherwise exceeding levels permitted by the Exchange or any Related Exchange may, if so determined by the Calculation Agent, constitute a Market Disruption Event.

(b) **Potential Adjustment Events.** Following a declaration by the issuer of the Certificates of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Certificates and, if so, will:

- (i) make the corresponding adjustment, if any, to any one or more of the Conditions as the Calculation Agent determines appropriate to account for that diluting or concentrative effect; and
- (ii) determine the effective date of that adjustment.

The Calculation Agent may, but need not, determine the adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an options exchange to options on the Certificates traded on that options exchange. Upon making any such

adjustment, the Calculation Agent shall notify the Holders in accordance with General Condition 4, stating the adjustment to be made to the Conditions and giving brief details of the Potential Adjustment Event.

**“Potential Adjustment Event”** means any event that may have a diluting or concentrative effect on the theoretical value of the Certificates.

- (c) The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determinations. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

#### 5. EFFECT OF FINAL TERMS

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

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**CONDITIONS: PRODUCT CONDITIONS**  
**RELATING TO INDEX NOTES**

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*The Product Conditions which follow relate to the Securities and must be read in conjunction with, and are subject to, the applicable Final Terms and the General Conditions (whether or not attached to this document). The applicable Final Terms, the Product Conditions and the General Conditions together constitute the Conditions of the Securities and will be printed on any Definitive Securities and attached to any Global Security representing the Securities.*

1. DEFINITIONS

“**Agent**” means the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and together, the “**Agents**”, which expression shall include any other Agent appointed pursuant to the provisions of General Condition 12;

“**Basket**” means, unless for the relevant Series “Basket” is specified in the applicable Final Terms as being “Not Applicable”, the basket specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Business Day**” means, unless specified otherwise in the applicable Final Terms, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business;

“**Cash Amount**” means an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

“**Clearing Agent**” means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a “**Clearing Agent**” and together the “**Clearing Agents**”);

“**Coupon**” means, if the Securities are interest bearing, an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount;

“**Commodity Index**” means the commodity index (if any) specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Emerging Market Disruption Event**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

- (i) Moratorium. A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or
- (ii) Price Source Disruption. It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or
- (iii) Governmental Default. With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (A) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (B) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (C) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or
- (iv) Inconvertibility/non-transferability. The occurrence of any event which (A) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (B) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or
- (v) Nationalisation. Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or
- (vi) Illiquidity. It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or
- (vii) Change in Law. A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or

- (viii) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or
- (ix) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency, or where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or
- (x) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities;

“**Exchange**” means (i) in respect of an Index which is not a Commodity Index, each exchange or quotation system from which each Index Sponsor takes the prices of the shares or other securities that comprise the Index (the “**Shares**”) to compute the Index or any successor to such exchange or quotation system or (ii) in respect of a Commodity Index, the exchange or quotation system or any substitute exchange or quotation system in which trading of the futures or options contracts in the Index or its components principally occurs or the exchange or quotation system where trading has a material effect on the overall market for futures or options contracts relating to the Index or its components, in each case as determined by the Issuer, acting in good faith;

“**Expenses**” means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security;

“**Final Reference Price**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, (i) the level of the Basket at the Valuation Time on the Valuation Date calculated as the sum of, for each Index, its Weight multiplied by the level of such Index at the Valuation Time on the Valuation Date or (ii) for the relevant Series, if “Basket” is specified in the applicable Final Terms as being “Not Applicable”, the level of the Index at the Valuation Time on the Valuation Date, all as determined by the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such level can be determined and no Market Disruption Event has occurred and is continuing) a level determined by the Calculation Agent as its good faith estimate of the official closing level of the Basket or the Index, as applicable, on such date having regard to the then prevailing market conditions, the last reported trading price(s) of (a) the Shares (in respect of an Index which is not a Commodity Index) or (b) the components of the Index on the Exchange (in respect of a Commodity Index) and such other factors as the Calculation Agent determines relevant;

“**Final Terms**” means the document containing the specific terms relating to the Securities;

“**Governmental Authority**” is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate;

“**Index**” means each index or Commodity Index specified as such in the definition of Basket in the applicable Final Terms or, if for the relevant Series “Basket” is specified in the applicable Final Terms as being “Not Applicable” the index specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Index Sponsor**” means the corporation or other entity that (i) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Index and (ii) announces (directly or through an agent) the level of the relevant Index on a regular basis during each Trading Day and references to Index Sponsor shall include any successor index sponsor pursuant to Product Condition 4;

“**Initial Reference Price**” means the level specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Interest Amount**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount, an amount calculated by the Calculation Agent as follows:

Nominal Amount x Interest Rate x Interest Rate Day Count Fraction;

“**Interest Payment Dates**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Interest Period**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date or the Issuer Call Date, as the case may be, and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date or the Issuer Call Date, as the case may be;

“**Interest Rate**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, the rate per annum specified as such, or determined in accordance with the formula specified, in the definition of the relevant Series in the applicable Final Terms;

**“Interest Rate Day Count Fraction”** means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms;

**“Issue Date”** means the date specified as such in the applicable Final Terms;

**“Issuer”** means The Royal Bank of Scotland Group plc incorporated in Scotland with its statutory seat in Edinburgh;

**“Issuer Call”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the termination of the Securities by the Issuer in accordance with Product Condition 3(b);

**“Issuer Call Cash Amount”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the amount specified, or determined by the Calculation Agent in accordance with the formula specified, in the definition of Issuer Call Cash Amount for the relevant Series in the applicable Final Terms, less Expenses. The Issuer Call Cash Amount payable to a Holder shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

**“Issuer Call Commencement Date”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the date specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Issuer Call Date”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each date specified as such in the definition of the relevant Series in the applicable Final Terms or, if no such date is specified, in the notice delivered in accordance with Product Condition 3(b);

**“Issuer Call Notice Period”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the period specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Market Disruption Event”** means each event specified as such in Product Condition 4, any Additional Market Disruption Events specified in the definition of the relevant Series in the applicable Final Terms and any Emerging Market Disruption Event;

**“Maturity Date”** means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Nominal Amount”** means the amount specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Payment Day”** means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign exchange currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency

is euro, any day on which the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET 2) System is open;

“**Pricing Date**” means the date or dates specified as such in the applicable Final Terms, subject to adjustment by the Issuer in adverse market conditions if, in the opinion of the Issuer, circumstances so required;

“**Related Exchange**” means an options or futures exchange or quotation system on which options contracts or futures contracts or other derivatives contracts on the Index are traded;

“**Relevant Currency**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying, is located provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt (“**ADR**”) or Global Depositary Receipt (“**GDR**”), the constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition;

“**Relevant Currency Exchange Rate**” means, each rate of exchange between the Relevant Currency and the Settlement Currency, or where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time;

“**Relevant Number of Trading Days**” means the number of Trading Days, if any, specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Securities**” means each Series of the index notes specified in the applicable Final Terms and each such note a “**Security**”. References to the terms “**Securities**” and “**Security**” shall be construed severally with respect to each Series specified in the applicable Final Terms;

“**Series**” mean each series of Securities set out in the applicable Final Terms;

“**Settlement Currency**” means the currency specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Settlement Date**” means, unless specified otherwise in the applicable Final Terms, the Maturity Date or if later, the third Business Day following the Valuation Date;

“**Standard Currency**” means unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United

Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time;

“**Trading Day**” means any day on which the Index Sponsor should calculate and publish the closing level of the relevant Index according to its rules;

“**Valuation Date**” means the date or dates specified as such in the definition of the relevant Series in the applicable Final Terms or if such day is not a Trading Day, the first Trading Day thereafter unless, in the determination of the Calculation Agent, a Market Disruption Event has occurred on that day in which case the Valuation Date shall be the first succeeding Trading Day on which the Calculation Agent determines that there is no Market Disruption Event, unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Market Disruption Event) would have been a Valuation Date. In that case (a) the last day of the Relevant Number of Trading Days shall be deemed to be the Valuation Date (regardless of the Market Disruption Event) and (b) the Calculation Agent shall determine the Final Reference Price having regard to the then prevailing market conditions, the last reported trading price(s) of (i) the Shares on the Exchange (in respect of an Index which is not a Commodity Index) or (ii) the components of the Index on the Exchange (in respect of a Commodity Index) and such other factors as the Calculation Agent determines to be relevant;

“**Valuation Time**” means (i) in respect of the AEX-index, the time with reference to which the Index Sponsor calculates the exchange delivery settlement price (the average of the prices of the AEX-index calculated at one minute intervals between 15.30 and 16.00 Amsterdam time) or (ii) in respect of any other Index, the time with reference to which the Index Sponsor calculates the closing level of the Index or in relation to (i) and (ii) at such other time as the Issuer may select in its absolute discretion and notify to Holders in accordance with General Condition 4; and

“**Weight**” means, unless for the relevant Series “Basket” is specified in the applicable Final Terms as being “Not Applicable”, for each Index, the percentage specified as such in the definition of Basket of the relevant Series in the applicable Final Terms, subject to adjustment in accordance with Product Condition 4.

Terms in capitals which are not defined in these Product Conditions shall have the meanings ascribed to them in the General Conditions.

## 2. FORM

- (a) Global Form. Except in the case of Securities issued in the form described in either Product Condition 2(b) or 2(c), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the “**Global Security**”) which will be deposited with a Clearing Agent or the depository for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities

are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term “**Holder**” shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested as regards the Issuer and the Agents, solely in the bearer of the Global Security.

- (b) Dematerialised Form. Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time to time (the “**Rules**”). Accordingly, in these Conditions, the term “**Holder**” means a person in whose name a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

If CREST is specified as the Clearing Agent in the relevant Final Terms, the Securities will be cleared through CREST. Such Securities will be registered securities in dematerialised and uncertificated form, and will be (i) participating securities and (ii) uncertificated securities in accordance with the Uncertificated Securities Regulations 2001 (SI. No. 3755) as amended, supplemented or replaced from time to time (the “**Regulations**”).

Securities cleared through CREST may be transferred in accordance with the Regulations and the rules, procedures and practices of the relevant Operator (as defined below). No transfer of such Securities will be valid unless and until entered on the relevant Operator register of corporate securities (as defined in and in accordance with, the Regulations).

In the case of Securities cleared through CREST, title to the Securities is recorded on the relevant Operator register of corporate securities (as defined in the Regulations). The Registrar on behalf of the Issuer will maintain a register of such Securities recorded on the relevant Operator register of corporate securities (the “**Register**”) and shall procure that the Register is regularly updated to reflect the Operator register of corporate securities in accordance with the rules and practices from time to time of the Operator and the Regulations. Subject to this requirement, (i) each person who is for the time being shown in the Register as the holder of such Securities shall be treated by the Issuer and the Registrar

as the holder of such Securities for all purposes and (ii) neither the Issuer nor the Registrar shall be liable in respect of any act or thing done or omitted to be done by it or on its behalf in reliance upon the assumption that the particulars entered in the Register which the Registrar maintains are in accordance with particulars entered in the Operator register of corporate securities relating to such Securities (and the expression “**Holder**” and related expressions shall be construed accordingly).

Any reference to the “**Operator**” (as such term is used in the Regulations) shall be to CREST and shall, whenever the context so permits, be deemed to include a reference to any such additional or alternative Operator approved by the Issuer from time to time in accordance with the Regulations and notified to the relevant Holders in accordance with General Condition 4.

Any indication herein that the Operator “shall do”, or similar expression or phrase indicating that they are obliged to or will carry out any role or obligation described in the Conditions and/or the applicable Final Terms, as the case may be, is given without any assumption by the Issuer, the relevant Registrar or the Calculation Agent of responsibility or liability for the performance of the Operator.<sup>3</sup>            RIGHTS AND PROCEDURES

- (a) Redemption on the Settlement Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at the Cash Amount, such redemption to occur on the Settlement Date.
- (b) Issuer Call. If “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the Issuer may redeem the Securities in whole, but not in part, on any Issuer Call Date at the Issuer Call Cash Amount by giving Holders at least the Issuer Call Notice Period notice of its intention to redeem the Securities, such notice to be given at any time from (and including) the Issuer Call Commencement Date. Any such notice shall be given in accordance with the provisions of General Condition 4 and shall specify the Issuer Call Date.
- (c) Interest Amount. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction, and is payable on each Interest Payment Date and the Issuer Call Date (if applicable), as the case may be.
- (d) Interest Accrual. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date or the Issuer Call Date, as the case may be, in the event that payment of any amount is postponed due to a Market Disruption Event.

- (e) **Payment Day.** If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (a) if "Modified Following" is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (b) if "Following" is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.
- (f) **General.** In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount, any Issuer Call Cash Amount or any Interest Amount.
- (g) **Settlement Risk.** Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and none of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. None of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- (h) **Method of Payment.** Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.
- (i) **Presentation and Surrender.** Unless the Securities are cleared through CREST, the Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the

order of, the Holder in respect of the amount so paid. Where the Securities are cleared through CREST, General Condition 20 shall apply.

#### 4. ADJUSTMENTS

(a) **Market Disruption.** The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred.

(b) In respect of an index which is not a Commodity Index A “**Market Disruption Event**” means (i) a general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or (ii) the occurrence or existence on any Trading Day during the one hour period that ends at the official close of trading on the Exchange or any Related Exchange of any suspension of or limitation imposed on trading or the disruption or impairment in the ability of market participants in general to effect transactions (by reason of movements in price reaching or exceeding limits permitted by the relevant exchange or otherwise):

(A) on any Exchange(s) in securities that comprise 20 per cent or more of the level of the relevant Index if, in the determination of the Calculation Agent, such suspension or limitation is material. For the purpose of determining whether such suspension or limitation is material, if trading in a security included in the Index is suspended or materially limited at that time, then the relevant percentage contribution of that security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that security relative to (y) the overall level of the Index, in each case immediately before that suspension or limitation; or

(B) on any Related Exchange in any options contracts or futures contracts or other derivatives contracts relating to the relevant Index.

In any event, a limitation on the hours and number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the relevant exchange, but a limitation on trading imposed during the course of the day by reason of movements in price otherwise exceeding levels permitted by the relevant exchange may, if so determined by the Calculation Agent, constitute a Market Disruption Event.

In respect of a Commodity Index, “Market Disruption Event” means, in relation to the Commodity Index or its components:

(i) **Price Source Disruption.** The failure by the Exchange to announce or publish the price of the Commodity Index or any of its components (or the information necessary for

determining such price(s)) or the temporary or permanent discontinuance or unavailability of such price(s) by the Exchange; or

- (ii) **Trading Suspension.** The material suspension of trading on the Exchange; or
- (iii) **Disappearance of Price.** The permanent discontinuation of trading in the Commodity Index or any of its components on the Exchange, disappearance of, or of trading in, the Commodity Index or any of its components or the disappearance or permanent discontinuance or unavailability of a reference price, notwithstanding the availability of the related price source or the status of trading in the Commodity Index or any of its components;
- (iv) **Material Change in Formula.** The occurrence, since the Issue Date, of a material change in the basis for (including but not limited to the quantity, quality or currency), or method of, calculating the price of a component of the Commodity Index; or
- (v) **Material Change in Content.** The occurrence, since the Issue Date, of a material change in the content or composition of a Commodity Index or any of its components; or
- (vi) **De Minimis Trading.** The number of contracts traded on the Exchange with respect to a Commodity Index or any of its components is such that the Issuer declares that its ability to enter into hedging transactions with respect to the Commodity Index or any of its components has been impaired due to a lack of, or a material reduction in, trading in the Commodity Index or any of its components on the Exchange; or
- (vii) **Tax Disruption.** The imposition of, change in, or removal of, an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measured by reference to, a Commodity Index or any of its components (other than a tax on, or measured by reference to, overall gross or net income) by any government or taxation authority after the Issue Date, if the direct effect of such imposition, change or removal is to raise or lower the price of the Commodity Index or any of its components on the Valuation Date or Issuer Call Date, as the case may be, and/or on each of the three Trading Days following the Valuation Date or Issuer Call Date, as the case may be, from what it would have been without that imposition, change or removal; or
- (viii) **Trading Limitation.** The material limitation imposed on trading in a Commodity Index or any of its components on any exchange or principal trading market; or
- (ix) **Moratorium.** A general moratorium is declared in respect of banking activities in the country in which the Exchange is located; or

- (x) **Other Events.** Any other event similar to any of the above which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities.
- (c) Adjustments to Index. The Calculation Agent shall give notice as soon as practicable to the Holders in accordance with General Condition 4 of any determination made by it pursuant to paragraphs (1), (2), (3) or (4) below.
- (1) If any Index is (A) not calculated and announced by the Index Sponsor but is calculated and published by a successor to the Index Sponsor (the “**Successor Sponsor**”) acceptable to the Calculation Agent; or (B) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the relevant Index, then (in either case) the relevant Index will be deemed to be the index so calculated and announced by such Successor Sponsor or that successor index, as the case may be.
- (2) If (A) on or prior to the Valuation Date the Index Sponsor or, if applicable, the Successor Sponsor makes a material change in the formula for or the method of calculating any Index or in any other way materially modifies an Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent securities or components as the case may be, and other routine events); or (B) on or prior to the Valuation Date the Index Sponsor or, if applicable, the Successor Sponsor fails to calculate and/or publish any Index; then (in either case) the Calculation Agent shall determine the Final Reference Price using, in lieu of a published level for the relevant Index on the Valuation Date, the level for the relevant Index as determined by the Calculation Agent in accordance with the formula for and method of calculating the relevant Index last in effect prior to the change or failure, but using only those (a) in respect of an Index which is not a Commodity Index, securities that comprised the relevant Index immediately prior to the change or failure (other than those securities that have since ceased to be listed on the Exchange or any other exchange on which the Shares are listed); or (b) in respect of a Commodity Index, commodity components that comprised the Index immediately prior to the change or failure (other than those components that have since ceased to be traded on the Exchange or any other exchange) or, in the case of a material modification of the Index only, shall deem such modified Index to be the Index so calculated and announced or shall (if so required by the Issuer), by giving notice in accordance with General Condition 4, terminate the Securities and pay to each Holder in respect of each Security held by such Holder an amount equal to the fair market value of the Security immediately prior to such material

modification of the Index less the cost to the Issuer of unwinding any related hedging arrangements (as determined by the Issuer)..

- (3) If, at any time, any of the events specified in (A) to (H) below occurs and the Index Sponsor or, if applicable, the Successor Sponsor has not in the opinion of the Calculation Agent made an appropriate adjustment to the level of the relevant Index (which term excludes, for these purposes of this paragraph (3), any Commodity Index) in order to account fully for such event, notwithstanding that the rules published or applied by the Index Sponsor or, if applicable, the Successor Sponsor pertaining to the Index have been applied, the Calculation Agent shall make such adjustment to the level of the relevant Index as it considers appropriate in order so to account for: (A) a distribution or dividend to existing holders of the Shares of (i) the Shares; or (ii) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the issuer of the Shares equally or proportionately with such payments to holders of Shares or (iii) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price; (B) a free distribution or dividend of any Shares to existing holders of the Shares by way of bonus, capitalisation or similar issue; (C) an extraordinary dividend; (D) any cash dividends declared on the Shares at a time when the relevant issuer of the Shares has not previously declared or paid dividends on such Shares for the prior four quarterly periods; (E) any non-cash dividends declared on the Shares at a time when the relevant issuer of the Shares has not previously declared or paid dividends on such Shares for the prior four quarterly periods; (F) any other extraordinary cash or non-cash dividend on, or distribution with respect to, the Shares which is, by its terms or declared intent, declared and paid outside the normal operations or normal dividend procedures of the relevant issuer of the Shares, provided that, in all cases, the related ex-dividend date occurs during the period from but including the Issue Date up to and excluding the Valuation Date; (G) a distribution of cash dividends on the Shares equal to or greater than 8 per cent. per annum of the then current market value of the Shares; and (H) any other similar event having a dilutive or concentrative effect on the theoretical value of the Shares.
- (4) The Issuer reserves the right to issue further Securities, make adjustments or to distribute to the Holders any rights in connection with the Securities as it reasonably believes are appropriate in circumstances where an event or events occur which the Issuer (in its absolute discretion and notwithstanding any adjustments previously made to the Securities) believes should, in the context of the issue of Securities and its obligations hereunder, give rise to such adjustment or distribution, provided that such adjustment is considered by the Calculation Agent either to be appropriate generally (without considering the individual circumstances of any Holder or the tax or other consequences

of such adjustment in any particular jurisdiction) or to be required to take account of provisions of the laws of the relevant jurisdiction or the practices of the Exchange. The Issuer, in any event, reserves the right to in its absolute discretion terminate Securities linked to any Proprietary Index by giving notice in accordance with General Condition 4, in the event that the relevant Index Sponsor terminates, cancels or suspends, as the case may be, any such Proprietary Index.

- (c) The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determinations. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

#### 5. EFFECT OF FINAL TERMS

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

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**CONDITIONS: PRODUCT CONDITIONS**  
**RELATING TO INFLATION INDEX NOTES**

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*The Product Conditions which follow relate to the Securities and must be read in conjunction with, and are subject to, the applicable Final Terms and the General Conditions (whether or not attached to this document). The applicable Final Terms, the Product Conditions and the General Conditions together constitute the Conditions of the Securities and will be printed on any Definitive Securities and attached to any Global Security representing the Securities.*

1. DEFINITIONS

“**Agent**” means the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and together, the “**Agents**”, which expression shall include any other Agent appointed pursuant to the provisions of General Condition 12;

“**Business Day**” means, unless specified otherwise in the applicable Final Terms, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business;

“**Cash Amount**” means an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

“**Clearing Agent**” means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a “**Clearing Agent**” and together the “**Clearing Agents**”);

“**Coupon**” means, if the Securities are interest bearing, an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount;

“**Expenses**” means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security;

“**Final Terms**” means the document containing the specific terms relating to the Securities;

“**Fixed Spread**” means the rate specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Inflation Index**” means the inflation index specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Inflation Index Level**” means the non-revised level of the Inflation Index, as determined by the Calculation Agent in its sole and absolute discretion. Any revision or amendment to the Inflation Index Level after the initial publication thereof shall be disregarded for the purposes of determining the corresponding Interest Rate unless the Inflation Index is re-based as a result of such revision or amendment, in which case the definition shall be subject to such amendments as the Calculation Agent, acting in its sole and absolute discretion, considers appropriate to preserve the economic features of the Securities;

“**Interest Amount**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount, an amount calculated by the Calculation Agent as follows:

$$\text{Nominal Amount} \times \text{Interest Rate} \times \text{Interest Rate Day Count Fraction};$$

“**Interest Payment Date** <sub>(N)</sub>” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each relevant Interest Payment Date;

“**Interest Payment Dates**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Interest Period**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date or the Issuer Call Date, as the case may be, and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date or the Issuer Call Date, as the case may be;

“**Interest Rate**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, the rate per annum specified as such, or determined in accordance with the formula specified, in the definition of the relevant Series in the applicable Final Terms;

“**Interest Rate Day Count Fraction**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms;

“**Issue Date**” means the date specified as such in the applicable Final Terms;

“**Issuer**” means The Royal Bank of Scotland Group plc incorporated in Scotland with its statutory seat in Edinburgh;

**“Issuer Call”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the termination of the Securities by the Issuer in accordance with Product Condition 3(b);

**“Issuer Call Cash Amount”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the amount specified, or determined by the Calculation Agent in accordance with the formula specified, in the definition of Issuer Call Cash Amount for the relevant Series in the applicable Final Terms, less Expenses. The Issuer Call Cash Amount payable to a Holder shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

**“Issuer Call Commencement Date”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the date specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Issuer Call Date”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each date specified as such in the definition of the relevant Series in the applicable Final Terms or, if no such date is specified, in the notice delivered in accordance with Product Condition 3(b);

**“Issuer Call Notice Period”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the period specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Market Disruption Event”** means each event specified as such in Product Condition 4 and any Additional Market Disruption Events specified in the definition of the relevant Series in the applicable Final Terms;

**“Maturity Date”** means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Nominal Amount”** means the amount specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Payment Day”** means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign exchange currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET 2) System is open;

**“Pricing Date”** means the date specified as such in the applicable Final Terms, subject to adjustment by the Issuer in adverse market conditions if, in the opinion of the Issuer, circumstances so required;

**“Securities”** means each Series of the inflation index notes specified in the applicable Final Terms and each such note a **“Security”**. References to the terms **“Securities”** and **“Security”** shall be construed severally with respect to each Series specified in the applicable Final Terms;

“**Series**” mean each series of Securities set out in the applicable Final Terms;

“**Settlement Currency**” means the currency specified as such in the definition of the relevant Series in the applicable Final Terms; and

“**Settlement Date**” means, unless specified otherwise in the applicable Final Terms, the Maturity Date or if later, the third Business Day following the Valuation Date.

Terms in capitals which are not defined in these Product Conditions shall have the meanings ascribed to them in the General Conditions.

## 2. FORM

- (a) **Global Form.** Except in the case of Securities issued in the form described in either Product Condition 2(b) or 2(c), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the “**Global Security**”) which will be deposited with a Clearing Agent or the depositary for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term “**Holder**” shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested as regards the Issuer and the Agents, solely in the bearer of the Global Security.
- (b) **Dematerialised Form.** Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time to time (the “**Rules**”). Accordingly, in these Conditions, the term “**Holder**” means a person in whose name a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

If CREST is specified as the Clearing Agent in the relevant Final Terms, the Securities will be cleared through CREST. Such Securities will be registered securities in dematerialised

and uncertificated form, and will be (i) participating securities and (ii) uncertificated securities in accordance with the Uncertificated Securities Regulations 2001 (SI. No. 3755) as amended, supplemented or replaced from time to time (the “**Regulations**”).

Securities cleared through CREST may be transferred in accordance with the Regulations and the rules, procedures and practices of the relevant Operator (as defined below). No transfer of such Securities will be valid unless and until entered on the relevant Operator register of corporate securities (as defined in and in accordance with, the Regulations).

In the case of Securities cleared through CREST, title to the Securities is recorded on the relevant Operator register of corporate securities (as defined in the Regulations). The Registrar on behalf of the Issuer will maintain a register of such Securities recorded on the relevant Operator register of corporate securities (the “**Register**”) and shall procure that the Register is regularly updated to reflect the Operator register of corporate securities in accordance with the rules and practices from time to time of the Operator and the Regulations. Subject to this requirement, (i) each person who is for the time being shown in the Register as the holder of such Securities shall be treated by the Issuer and the Registrar as the holder of such Securities for all purposes and (ii) neither the Issuer nor the Registrar shall be liable in respect of any act or thing done or omitted to be done by it or on its behalf in reliance upon the assumption that the particulars entered in the Register which the Registrar maintains are in accordance with particulars entered in the Operator register of corporate securities relating to such Securities (and the expression “**Holder**” and related expressions shall be construed accordingly).

Any reference to the “**Operator**” (as such term is used in the Regulations) shall be to CREST and shall, whenever the context so permits, be deemed to include a reference to any such additional or alternative Operator approved by the Issuer from time to time in accordance with the Regulations and notified to the relevant Holders in accordance with General Condition 4.

Any indication herein that the Operator “shall do”, or similar expression or phrase indicating that they are obliged to or will carry out any role or obligation described in the Conditions and/or the applicable Final Terms, as the case may be, is given without any assumption by the Issuer, the relevant Registrar or the Calculation Agent of responsibility or liability for the performance of the Operator.<sup>3</sup>

#### RIGHTS AND PROCEDURES

- (a) Redemption on the Settlement Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at the Cash Amount, such redemption to occur on the Settlement Date.
- (b) Issuer Call. If “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the Issuer may redeem the Securities in whole, but not in part, on any Issuer Call Date at the Issuer Call Cash Amount by giving Holders at

least the Issuer Call Notice Period notice of its intention to redeem the Securities, such notice to be given at any time from (and including) the Issuer Call Commencement Date. Any such notice shall be given in accordance with the provisions of General Condition 4 and shall specify the Issuer Call Date.

- (c) Interest Amount. If “Interest” is specified as being applicable in the definition of the relevant Series in the applicable Final Terms, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction, and is payable on each Interest Payment Date and the Issuer Call Date (if applicable), as the case may be.
- (d) Interest Accrual. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date or the Issuer Call Date, as the case may be, in the event that payment of any amount is postponed due to a Market Disruption Event.
- (e) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (a) if "Modified Following" is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (b) if "Following" is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.
- (f) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount, any Issuer Call Cash Amount or any Interest Amount.
- (g) Settlement Risk. Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and none of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. None of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.

- (h) **Method of Payment.** Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.
- (i) **Presentation and Surrender.** Unless the Securities are cleared through CREST, the Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid. Where the Securities are cleared through CREST, General Condition 20 shall apply.

#### 4. ADJUSTMENTS

**Market Disruption.** The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred. A “**Market Disruption Event**” means (i) a general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or (ii) the occurrence or existence during the one hour period that ends at the official close of trading on any relevant exchanges of any suspension of or limitation imposed on trading in relation to the relevant Inflation Index or the disruption or impairment in the ability of market participants in general to effect transactions (by reason of movements in price reaching or exceeding limits permitted by the relevant exchanges or otherwise):

- (A) on any relevant exchanges(s) in securities that comprise 20 per cent or more of the level of the relevant Inflation Index if, in the determination of the Calculation Agent, such suspension or limitation is material. For the purpose of determining whether such suspension or limitation is material, if trading in a security included in the Inflation Index is suspended or materially limited at that time, then the relevant percentage contribution of that security to the level of the Inflation Index shall be based on a comparison of (x) the portion of the level of the Inflation Index

attributable to that security relative to (y) the overall level of the Inflation Index, in each case immediately before that suspension or limitation; or

- (B) on any relevant exchange in any options contracts or futures contracts or other derivatives contracts relating to the relevant Inflation Index. In any event, a limitation on the hours and number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the relevant exchange, but a limitation on trading imposed during the course of the day by reason of movements in price otherwise exceeding levels permitted by the relevant exchange may, if so determined by the Calculation Agent, constitute a Market Disruption Event.
- (a) Adjustments to Inflation Index. The Calculation Agent shall give notice as soon as practicable to the Holders in accordance with General Condition 4 of any determination made by it pursuant to paragraphs (1), (2) or (3) below.
- (1) If any Inflation Index is (A) not calculated and announced in its usual way but is calculated and published in a different way but a in a way acceptable to the Calculation Agent; or (B) replaced by a successor inflation index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the relevant Inflation Index, then (in either case) the relevant Inflation Index will be deemed to be the inflation index so calculated and announced by that successor inflation index, as the case may be.
  - (2) If (A) on or prior to the Interest Payment Date there is a material change in the formula for or the method of calculating any Inflation Index or in any other way an Inflation Index is materially modified (other than a modification prescribed in that formula or method to maintain the Inflation Index in the event of changes in constituent securities and other routine events); or (B) on the Interest Payment Date there is a failure to calculate and/or publish any Inflation Index; then (in either case) the Calculation Agent shall determine the Inflation Index Level using, in lieu of a published level for the relevant Inflation Index on the Interest Payment Date, the level for the relevant Inflation Index as determined by the Calculation Agent in accordance with the formula for and method of calculating the relevant Inflation Index last in effect prior to the change or failure, but using only those securities that comprised the relevant Inflation Index immediately prior to the change or failure (other than those securities that have since ceased to be included in the Inflation Index) or, in the case of a material modification of the Inflation Index only, shall deem such modified Inflation Index to be the Inflation Index so calculated and

announced or shall terminate the Securities by giving notice in accordance with General Condition 4.

(3) The Issuer reserves the right to issue further Securities, make adjustments or to distribute to the Holders any rights in connection with the Securities as it reasonably believes are appropriate in circumstances where an event or events occur which the Issuer (in its absolute discretion and notwithstanding any adjustments previously made to the Securities) believes should, in the context of the issue of Securities and its obligations hereunder, give rise to such adjustment or distribution, provided that such adjustment is considered by the Calculation Agent either to be appropriate generally (without considering the individual circumstances of any Holder or the tax or other consequences of such adjustment in any particular jurisdiction) or to be required to take account of provisions of the laws of the relevant jurisdiction or the practices of the relevant exchange.

(b) The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determinations. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

## 5. EFFECT OF FINAL TERMS

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

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**CONDITIONS: PRODUCT CONDITIONS**  
**RELATING TO INFLATION INDEX NOTES II**

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*The Product Conditions which follow relate to the Securities and must be read in conjunction with, and are subject to, the applicable Final Terms and the General Conditions (whether or not attached to this document). The applicable Final Terms, the Product Conditions and the General Conditions together constitute the Conditions of the Securities and will be printed on any Definitive Securities and attached to any Global Security representing the Securities.*

1. DEFINITIONS

“**Agent**” means the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and together, the “**Agents**”, which expression shall include any other Agent appointed pursuant to the provisions of General Condition 12;

“**Business Day**” means, unless specified otherwise in the applicable Final Terms, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business;

“**Cash Amount**” means an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

“**Clearing Agent**” means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a “**Clearing Agent**” and together the “**Clearing Agents**”);

“**Coupon**” means, if the Securities are interest bearing, an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount;

“**Expenses**” means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security;

“**Final Reference Price**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the level of the Index for the Valuation Month, published by the Index Sponsor, as determined by the Calculation Agent without regard to any subsequently published correction. Any revision

or amendment to the level of the Index after the initial publication thereof shall be disregarded for the purposes of determining the corresponding Interest Rate unless the Index is re-based as a result of such revision or amendment, in which case the level of the Index shall be subject to such amendments as the Calculation Agent, acting in its sole and absolute discretion, considers appropriate to preserve the economic features of the Securities. If, in the determination of the Calculation Agent, no such level can be determined (and no Market Disruption Event has occurred and is continuing), level of the Index shall be a level determined by the Calculation Agent as its good faith estimate of the level of the Index for the relevant Valuation Month having regard to the last published level of the Index and such other factors as the Calculation Agent determines relevant;

“**Final Terms**” means the document containing the specific terms relating to the Securities;

“**Index**” means the index specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Index Sponsor**” means the corporation or other entity that (i) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Index and (ii) announces (directly or through an agent) the level of the relevant Index on a regular basis and references to Index Sponsor shall include any successor index sponsor pursuant to Product Condition 4;

“**Interest Amount**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount, an amount calculated by the Calculation Agent as follows:

Nominal Amount x Interest Rate x Interest Rate Day Count Fraction;

“**Interest Payment Dates**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Interest Period**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date;

“**Interest Rate**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the rate per annum specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Interest Rate Day Count Fraction**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms;

“**Issue Date**” means the date specified as such in the applicable Final Terms;

“**Issuer**” means The Royal Bank of Scotland Group plc incorporated in Scotland with its statutory seat in Edinburgh;

“**Market Disruption Event**” means each event specified as such in Product Condition 4 and any Additional Market Disruption Event specified in the definition of the relevant Series in the applicable Final Terms;

“**Maturity Date**” means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Nominal Amount**” means the amount specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Payment Day**” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign exchange currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET 2) System is open;

“**Pricing Date**” means the date or dates specified as such in the applicable Final Terms, subject to adjustment by the Issuer in adverse market conditions if, in the opinion of the Issuer, circumstances so required;

“**Relevant Number of Months**” means the number of months specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Securities**” means each Series of the inflation index notes specified in the applicable Final Terms and each such note a “**Security**”. References to the terms “**Securities**” and “**Security**” shall be construed severally with respect to each Series specified in the applicable Final Terms;

“**Series**” mean each Series of Securities set out in the applicable Final Terms;

“**Settlement Currency**” means the currency specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Settlement Date**” means the Maturity Date or such other date as specified in the definition of the relevant Series in the applicable Final Terms; and

“**Valuation Month**” means each month specified as such in the definition of the relevant Series in the applicable Final Terms unless, in the determination of the Calculation Agent, a Market Disruption Event has occurred with respect to any month in which case that Valuation Month shall be the first succeeding calendar month for which the Calculation Agent determines that there is no Market Disruption Event, unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Relevant Number of Months immediately following the original month which (but for the Market Disruption Event) would have been the Valuation Month. In that case (a) the last month of the Relevant Number of Months

shall be deemed to be the Valuation Month (regardless of the Market Disruption Event) and (b) the Calculation Agent shall determine the level of the Index having regard to the then prevailing market conditions, the last published level of the Index and such other factors as the Calculation Agent determines to be relevant.

Terms in capitals which are not defined in these Product Conditions shall have the meanings ascribed to them in the General Conditions.

## 2. FORM

- (a) **Global Form.** Except in the case of Securities issued in the form described in either Product Condition 2(b) or 2(c), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the “**Global Security**”) which will be deposited with a Clearing Agent or the depositary for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term “**Holder**” shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested as regards the Issuer and the Agents, solely in the bearer of the Global Security.
- (b) **Dematerialised Form.** Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time to time (the “**Rules**”). Accordingly, in these Conditions, the term “**Holder**” means a person in whose name a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

If CREST is specified as the Clearing Agent in the relevant Final Terms, the Securities will be cleared through CREST. Such Securities will be registered securities in dematerialised and uncertificated form, and will be (i) participating securities and (ii) uncertificated

securities in accordance with the Uncertificated Securities Regulations 2001 (SI. No. 3755) as amended, supplemented or replaced from time to time (the “**Regulations**”).

Securities cleared through CREST may be transferred in accordance with the Regulations and the rules, procedures and practices of the relevant Operator (as defined below). No transfer of such Securities will be valid unless and until entered on the relevant Operator register of corporate securities (as defined in and in accordance with, the Regulations).

In the case of Securities cleared through CREST, title to the Securities is recorded on the relevant Operator register of corporate securities (as defined in the Regulations). The Registrar on behalf of the Issuer will maintain a register of such Securities recorded on the relevant Operator register of corporate securities (the “**Register**”) and shall procure that the Register is regularly updated to reflect the Operator register of corporate securities in accordance with the rules and practices from time to time of the Operator and the Regulations. Subject to this requirement, (i) each person who is for the time being shown in the Register as the holder of such Securities shall be treated by the Issuer and the Registrar as the holder of such Securities for all purposes and (ii) neither the Issuer nor the Registrar shall be liable in respect of any act or thing done or omitted to be done by it or on its behalf in reliance upon the assumption that the particulars entered in the Register which the Registrar maintains are in accordance with particulars entered in the Operator register of corporate securities relating to such Securities (and the expression “**Holder**” and related expressions shall be construed accordingly).

Any reference to the “**Operator**” (as such term is used in the Regulations) shall be to CREST and shall, whenever the context so permits, be deemed to include a reference to any such additional or alternative Operator approved by the Issuer from time to time in accordance with the Regulations and notified to the relevant Holders in accordance with General Condition 4.

Any indication herein that the Operator “shall do”, or similar expression or phrase indicating that they are obliged to or will carry out any role or obligation described in the Conditions and/or the applicable Final Terms, as the case may be, is given without any assumption by the Issuer, the relevant Registrar or the Calculation Agent of responsibility or liability for the performance of the Operator.<sup>3</sup>            RIGHTS AND PROCEDURES

- (a) Redemption on the Settlement Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at the Cash Amount, such redemption to occur on the Settlement Date.
- (b) Interest Amount. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the

Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction, and is payable on each Interest Payment Date.

- (c) Interest Accrual. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date in the event that payment of any amount is postponed due to a Market Disruption Event.
- (d) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (a) if “Modified Following” is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (b) if “Following” is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day and in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.
- (e) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount or any Interest Amount.
- (f) Settlement Risk. Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and none of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. None of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- (g) Method of Payment. Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if

applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.

- (h) Presentation and Surrender. Unless the Securities are cleared through CREST, the Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid. Where the Securities are cleared through CREST, General Condition 20 shall apply.

#### 4. ADJUSTMENTS

- (a) Market Disruption. The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred. A “**Market Disruption Event**” means the Index Sponsor fails to calculate and announce the level of the Index.
- (b) Adjustments to Index. The Calculation Agent shall give notice as soon as practicable to the Holders in accordance with General Condition 4 of any determination made by it pursuant to paragraphs (1), (2) or (3) below.
  - (1) If the Index is (A) not calculated and announced in its usual way but is calculated and published in a different way but in a way acceptable to the Calculation Agent; or (B) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the relevant Index, then (in either case) the relevant Index will be deemed to be the Index so calculated and announced by that successor index, as the case may be.
  - (2) If (A) on or prior to the Interest Payment Date there is a material change in the formula for or the method of calculating the Index or the Index Sponsor, in any other way, materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent securities and other routine events); or (B) on the Interest Payment Date there is a failure to calculate and/or publish any Index; then (in either case) the Calculation Agent shall (a) determine the Final Reference Price using, in lieu of a published level for the Index, the level for the Index as determined by the Calculation Agent acting in good faith and in a commercially reasonable manner or, (b) shall deem such modified Index to be the Index so calculated and announced or (c) shall terminate the Securities by giving notice in accordance with General Condition 4.

- (3) The Issuer reserves the right to issue further Securities, make adjustments or to distribute to the Holders any rights in connection with the Securities as it reasonably believes are appropriate in circumstances where an event or events occur which the Issuer (in its absolute discretion and notwithstanding any adjustments previously made to the Securities) believes should, in the context of the issue of Securities and its obligations hereunder, give rise to such adjustment or distribution, provided that such adjustment is considered by the Calculation Agent either to be appropriate generally (without considering the individual circumstances of any Holder or the tax or other consequences of such adjustment in any particular jurisdiction) or to be required to take account of provisions of the laws of the relevant jurisdiction or the practices of the relevant exchange. The Issuer, in any event, reserves the right to in its absolute discretion terminate Securities linked to any Proprietary Index by giving notice in accordance with General Condition 4, in the event that the relevant Index Sponsor terminates, cancels or suspends, as the case may be, any such Proprietary Index.
- (c) The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determinations. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

## 5. EFFECT OF FINAL TERMS

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

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**CONDITIONS: PRODUCT CONDITIONS**  
**RELATING TO CALLABLE INDEX NOTES**

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*The Product Conditions which follow relate to the Securities and must be read in conjunction with, and are subject to, the applicable Final Terms and the General Conditions (whether or not attached to this document). The applicable Final Terms, the Product Conditions and the General Conditions together constitute the Conditions of the Securities and will be printed on any Definitive Securities and attached to any Global Security representing the Securities.*

1. DEFINITIONS

“**Agent**” means the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and together, the “**Agents**”, which expression shall include any other Agent appointed pursuant to the provisions of General Condition 12;

“**Barrier Level**” means, if applicable, the level determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, subject to adjustment in accordance with Product Condition 4;

“**Business Day**” means, unless specified otherwise in the applicable Final Terms, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business;

“**Cash Amount**” means in relation to the final Valuation Date an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

“**Clearing Agent**” means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a “**Clearing Agent**” and together the “**Clearing Agents**”);

“**Commodity Index**” means the commodity index (if any) specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Early Redemption Amount**” means in relation to each Early Redemption Date, an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Early Redemption Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

“**Early Redemption Date**” means each of the dates specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Early Redemption Event**” occurs as specified in the definition of the relevant Series in the applicable Final Terms, as determined by or on behalf of the Calculation Agent;

“**Emerging Market Disruption Event**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

- (i) **Moratorium.** A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or
- (ii) **Price Source Disruption.** It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or
- (iii) **Governmental Default.** With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (A) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (B) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (C) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or
- (iv) **Inconvertibility/non-transferability.** The occurrence of any event which (A) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (B) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or
- (v) **Nationalisation.** Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or

- (vi) Illiquidity. It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or
- (vii) Change in Law. A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or
- (viii) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or
- (ix) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency, or where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or
- (x) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities;

“**Exchange**” means (i) in respect of an Index which is not a Commodity Index each exchange or quotation system from which the Index Sponsor takes the prices of the shares or other securities that comprise the Index (the “**Shares**”) to compute the Index or any successor to such exchange or quotation system or (ii) in respect of a Commodity Index, the exchange or quotation system or any substitute exchange or quotation system in which trading of the futures or options contracts in the Index or its components principally occurs or the exchange or quotation system where trading has a material effect on the overall market for futures or options contracts relating to the Index or its components, in each case as determined by the Issuer, acting in good faith;

“**Expenses**” means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security;

“**Final Reference Price**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the level of the Index at the Valuation Time on a Valuation Date as determined by the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such level can be determined and no Market Disruption Event has occurred and is continuing) a level determined by the Calculation Agent as its good faith estimate of the official closing level of the Index on such date having regard to the then prevailing market conditions, the last reported trading price(s) of (a) the Shares (in respect of an Index which is not a Commodity Index) or (b) the components of the Index on the Exchange (in respect of a Commodity Index) and such other factors as the Calculation Agent determines relevant;

“**Final Terms**” means the document containing the specific terms relating to the Securities;

“**Governmental Authority**” is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate;

“**Index**” means the Index or Commodity Index specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Index Sponsor**” means the corporation or other entity that (i) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Index and (ii) announces (directly or through an agent) the level of the relevant Index on a regular basis during each Trading Day and references to Index Sponsor shall include any successor index sponsor pursuant to Product Condition 4;

“**Initial Reference Price**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the level of the Index at the Valuation Time on the Pricing Date as determined by the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such level can be determined and no Market Disruption Event has occurred and is continuing) a level determined by the Calculation Agent as its good faith estimate of the official closing level of the Index on such date having regard to the then prevailing market conditions, the last reported trading price(s) of (a) the Shares (in respect of an Index which is not a Commodity Index) or (b) the components of the Index on the Exchange (in respect of a Commodity Index) and such other factors as the Calculation Agent determines relevant, subject to adjustment in accordance with Product Condition 4;

“**Issue Date**” means the date specified as such in the applicable Final Terms;

“**Issuer**” means The Royal Bank of Scotland Group plc incorporated in Scotland with its statutory seat in Edinburgh;

“**Market Disruption Event**” means each event specified as such in Product Condition 4, any Additional Market Disruption Events specified in the definition of the relevant Series in the applicable Final Terms and any Emerging Market Disruption Event;

“**Maturity Date**” means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Nominal Amount**” means the amount specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Payment Day**” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign exchange currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency

is euro, any day on which the Trans-European Automated Real-time Gross-settlement Express Transfer (TARGET 2) System is open;

“**Pricing Date**” means the date or dates specified as such in the applicable Final Terms, subject to adjustment by the Issuer in adverse market conditions if, in the opinion of the Issuer, circumstances so require;

“**Related Exchange**” means an options or futures exchange or quotation system on which options contracts or futures contracts or other derivatives contracts on the Index are traded;

“**Relevant Currency**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying, is located provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt (“**ADR**”) or Global Depositary Receipt (“**GDR**”), the constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition;

“**Relevant Currency Exchange Rate**” means, each rate of exchange between the Relevant Currency and the Settlement Currency, or where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time;

“**Relevant Number of Trading Days**” means the number of Trading Days, if any, specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Relevant Percentage**” means, if applicable, the percentage specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Securities**” means each Series of the callable index notes specified in the applicable Final Terms and each such note a “**Security**”. References to the terms “**Securities**” and “**Security**” shall be construed severally with respect to each Series specified in the applicable Final Terms;

“**Series**” mean each series of Securities set out in the applicable Final Terms;

“**Settlement Currency**” means the currency specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Settlement Date**” means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Standard Currency**” means unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark,

Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time;

“**Trading Day**” means any day on which the Index Sponsor should calculate and publish the closing level of the Index according to its rules;

“**Valuation Date**” means each of the dates specified as such in the definition of the relevant Series in the applicable Final Terms or, if any such date is not a Trading Day, the first Trading Day thereafter unless, in the determination of the Calculation Agent, a Market Disruption Event has occurred on that day, in which case the Valuation Date shall be the first succeeding Trading Day on which the Calculation Agent determines that there is no Market Disruption Event, unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Valuation Date. In that case (i) the last day of the Relevant Number of Trading Days shall be deemed to be the Valuation Date (regardless of the Market Disruption Event) and (ii) the Calculation Agent shall determine the Final Reference Price having regard to the then prevailing market conditions, the last reported trading price(s) of (a) the Shares on the Exchange (in respect of an Index which is not a Commodity Index) or (b) the components of the Index on the Exchange (in respect of a Commodity Index) and such other factors as the Calculation Agent determines to be relevant; and

“**Valuation Time**” means (i) in respect of the AEX-index, the time with reference to which the Index Sponsor calculates the exchange delivery settlement price (the average of the prices of the AEX-index calculated at one minute intervals between 15.30 and 16.00 Amsterdam time) or (ii) in respect of any other Index, the time with reference to which the Index Sponsor calculates the closing level of the Index or in relation to (i) and (ii) at such other time as the Issuer may select in its absolute discretion and notify to Holders in accordance with General Condition 4. Terms in capitals which are not defined in these Product Conditions shall have the meanings ascribed to them in the General Conditions.

## 2. FORM

- (a) Global Form. Except in the case of Securities issued in the form described in either Product Condition 2(b) or 2(c), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the “**Global Security**”) which will be deposited with a Clearing Agent or the depositary for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the

relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term “**Holder**” shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested as regards the Issuer and the Agents, solely in the bearer of the Global Security.

- (b) Dematerialised Form. Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time to time (the “**Rules**”). Accordingly, in these Conditions, the term “**Holder**” means a person in whose name a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

If CREST is specified as the Clearing Agent in the relevant Final Terms, the Securities will be cleared through CREST. Such Securities will be registered securities in dematerialised and uncertificated form, and will be (i) participating securities and (ii) uncertificated securities in accordance with the Uncertificated Securities Regulations 2001 (SI. No. 3755) as amended, supplemented or replaced from time to time (the “**Regulations**”).

Securities cleared through CREST may be transferred in accordance with the Regulations and the rules, procedures and practices of the relevant Operator (as defined below). No transfer of such Securities will be valid unless and until entered on the relevant Operator register of corporate securities (as defined in and in accordance with, the Regulations).

In the case of Securities cleared through CREST, title to the Securities is recorded on the relevant Operator register of corporate securities (as defined in the Regulations). The Registrar on behalf of the Issuer will maintain a register of such Securities recorded on the relevant Operator register of corporate securities (the “**Register**”) and shall procure that the Register is regularly updated to reflect the Operator register of corporate securities in accordance with the rules and practices from time to time of the Operator and the Regulations. Subject to this requirement, (i) each person who is for the time being shown in the Register as the holder of such Securities shall be treated by the Issuer and the Registrar as the holder of such Securities for all purposes and (ii) neither the Issuer nor the Registrar shall be liable in respect of any act or thing done or omitted to be done by it or on its behalf in reliance upon the assumption that the particulars entered in the Register which the

Registrar maintains are in accordance with particulars entered in the Operator register of corporate securities relating to such Securities (and the expression “**Holder**” and related expressions shall be construed accordingly).

Any reference to the “**Operator**” (as such term is used in the Regulations) shall be to CREST and shall, whenever the context so permits, be deemed to include a reference to any such additional or alternative Operator approved by the Issuer from time to time in accordance with the Regulations and notified to the relevant Holders in accordance with General Condition 4.

Any indication herein that the Operator “shall do”, or similar expression or phrase indicating that they are obliged to or will carry out any role or obligation described in the Conditions and/or the applicable Final Terms, as the case may be, is given without any assumption by the Issuer, the relevant Registrar or the Calculation Agent of responsibility or liability for the performance of the Operator.

### 3. RIGHTS AND PROCEDURES

- (a) Redemption on the Settlement Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at:
  - (i) If an Early Redemption Event has not occurred, the Cash Amount; or
  - (ii) If an Early Redemption Event has occurred, the Early Redemption Amount, such redemption to occur on the Settlement Date.
- (b) Interest. The Securities bear no interest and no payment shall be made on account thereof.
- (c) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (a) if "Modified Following" is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (b) if "Following" is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.
- (d) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount or the Early Redemption Amount.
- (e) Settlement Risk. Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and none of the Issuer, any Agent nor where the

Securities are cleared through CREST, the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. None of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.

- (f) Method of Payment. Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.
- (g) Presentation and Surrender. Unless the Securities are cleared through CREST, the Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid. Where the Securities are cleared through CREST, General Condition 20 shall apply.

#### 4. ADJUSTMENTS

- (a) Market Disruption. The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred.

In respect of an Index which is not a Commodity Index, “**Market Disruption Event**” means (i) a general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or (ii) the occurrence or existence on any Trading Day during the one hour period that ends at the official close of trading on the Exchange or any Related Exchange of any suspension of or limitation imposed on trading or the disruption or impairment in the ability of market participants in general to effect transactions (by reason of movements in price reaching or exceeding limits permitted by the relevant exchange or otherwise):

- (A) on any Exchange(s) in securities that comprise 20 per cent or more of the level of the relevant Index if, in the determination of the Calculation Agent, such suspension or limitation is material. For the purpose of determining whether such suspension or limitation is material, if trading in a security included in the Index is suspended or materially limited at that time, then the relevant percentage contribution of that security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that security relative to (y) the overall level of the Index, in each case immediately before that suspension or limitation; or
- (B) on any Related Exchange in any options contracts or futures contracts or other derivatives contracts relating to the relevant Index.

In any event, a limitation on the hours and number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the relevant exchange, but a limitation on trading imposed during the course of the day by reason of movements in price otherwise exceeding levels permitted by the relevant exchange may, if so determined by the Calculation Agent, constitute a Market Disruption Event.

In respect of a Commodity Index, “**Market Disruption Event**” means, in relation to the Commodity Index or its components:

- (i) **Price Source Disruption.** The failure by the Exchange to announce or publish the price of the Commodity Index or any of its components (or the information necessary for determining such price(s)) or the temporary or permanent discontinuance or unavailability of such price(s) by the Exchange; or
- (ii) **Trading Suspension.** The material suspension of trading on the Exchange; or
- (iii) **Disappearance of Price.** The permanent discontinuation of trading in the Commodity Index or any of its components on the Exchange, disappearance of, or of trading in, the Commodity Index or any of its components or the disappearance or permanent discontinuance or unavailability of a reference price, notwithstanding the availability of the related price source or the status of trading in the Commodity Index or any of its components;
- (iv) **Material Change in Formula.** The occurrence, since the Issue Date, of a material change in the basis for (including but not limited to the quantity, quality or currency), or method of, calculating the price of a component of the Commodity Index; or
- (v) **Material Change in Content.** The occurrence, since the Issue Date, of a material change in the content or composition of a Commodity Index or any of its components; or

- (vi) **De Minimis Trading.** The number of contracts traded on the Exchange with respect to a Commodity Index or any of its components is such that the Issuer declares that its ability to enter into hedging transactions with respect to the Commodity Index or any of its components has been impaired due to a lack of, or a material reduction in, trading in the Commodity Index or any of its components on the Exchange; or
- (vii) **Tax Disruption.** The imposition of, change in, or removal of, an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measured by reference to, a Commodity Index or any of its components (other than a tax on, or measured by reference to, overall gross or net income) by any government or taxation authority after the Issue Date, if the direct effect of such imposition, change or removal is to raise or lower the price of the Commodity Index or any of its components on the Valuation Date or the Early Redemption Date, as the case may be, and/or on each of the three Trading Days following the Valuation Date or the Early Redemption Date, as the case may be, from what it would have been without that imposition, change or removal; or
- (viii) **Trading Limitation.** The material limitation imposed on trading in a Commodity Index or any of its components on any exchange or principal trading market; or
- (ix) **Moratorium.** A general moratorium is declared in respect of banking activities in the country in which the Exchange is located; or
- (x) **Other Events.** Any other event similar to any of the above which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities.

Adjustments to Index. The Calculation Agent shall give notice as soon as practicable to the Holders in accordance with General Condition 4 of any determination made by it pursuant to paragraphs (1), (2), (3) or (4) below.

- (1) If the Index is: (A) not calculated and announced by the Index Sponsor but is calculated and published by a successor to the Index Sponsor (the “**Successor Sponsor**”) acceptable to the Calculation Agent; or (B) replaced by a successor index using in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then (in either case) the Index will be deemed to be the index so calculated and announced by such Successor Sponsor or that successor index, as the case may be.
- (2) If (A) on or prior to the Valuation Date the Index Sponsor or, if applicable, the Successor Sponsor makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of

changes in constituent securities or components, as the case may be, and other routine events); or (B) on or prior to the Valuation Date the Index Sponsor or, if applicable the Successor Sponsor fails to calculate and/or publish the Index; then (in either case) the Calculation Agent shall determine the Final Reference Price using, in lieu of a published level for the Index on the Valuation Date, the level for the Index as determined by the Calculation Agent in accordance with the formula for and method of calculating the Index last in effect prior to the change or failure, but using only those (a) in respect of an Index which is not a Commodity Index, securities that comprised the Index immediately prior to the change or failure (other than those securities that have since ceased to be listed on the Exchange or any other exchange on which the Shares are listed); or (b) in respect of a Commodity Index, commodity components that comprised the Index immediately prior to the change or failure (other than those components that have since ceased to be traded on the Exchange or any other exchange) or, in the case of a material modification of the Index only, shall deem such modified Index to be the Index so calculated and announced or shall (if so required by the Issuer), by giving notice in accordance with General Condition 4, terminate the Securities and pay to each Holder in respect of each Security held by such Holder an amount equal to the fair market value of the Security immediately prior to such material modification of the Index less the cost to the Issuer of unwinding any related hedging arrangements (as determined by the Issuer).

- (3) If, at any time, any of the events specified in (A) to (H) below occurs and the Index Sponsor or, if applicable, the Successor Sponsor has not in the opinion of the Calculation Agent made an appropriate adjustment to the level of the Index (which term excludes, for these purposes of this paragraph (3), any Commodity Index) in order to account fully for such event, notwithstanding that the rules published or applied by the Index Sponsor or, if applicable, the Successor Sponsor pertaining to the Index have been applied, the Calculation Agent shall make such adjustment to the level of the Index as it considers appropriate in order so to account for: (A) a distribution or dividend to existing holders of the Shares of (i) the Shares; or (ii) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the issuer of the Shares equally or proportionately with such payments to holders of Shares or (iii) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price; (B) a free distribution or dividend of any Shares to existing holders of the Shares by way of bonus, capitalisation or similar issue; (C) an extraordinary dividend; (D) any cash dividends declared on the Shares at a time when the relevant issuer of the Shares has not previously declared or paid dividends on such Shares for the prior four quarterly

periods; (E) any non-cash dividends declared on the Shares at a time when the relevant issuer of the Shares has not previously declared or paid dividends on such Shares for the prior four quarterly periods; (F) any other extraordinary cash or non-cash dividend on, or distribution with respect to, the Shares which is, by its terms or declared intent, declared and paid outside the normal operations or normal dividend procedures of the relevant issuer of the Shares, provided that, in all cases, the related ex-dividend date occurs during the period from but including the Issue Date up to and excluding the Valuation Date; (G) a distribution of cash dividends on the Shares equal to or greater than 8 per cent. per annum of the then current market value of the Shares; and (H) any other similar event having a dilutive or concentrative effect on the theoretical value of the Shares.

(4) The Issuer reserves the right to issue further Securities, make adjustments or to distribute to the Holders any rights in connection with the Securities as it reasonably believes are appropriate in circumstances where an event or events occur which the Issuer (in its absolute discretion and notwithstanding any adjustments previously made to the Securities) believes should in the context of the issue of Securities and its obligations hereunder, give rise to such adjustment or distribution, provided that such adjustment is considered by the Calculation Agent either to be appropriate generally (without considering the individual circumstances of any Holder or the tax or other consequences of such adjustment in any particular jurisdiction) or to be required to take account of provisions of the laws of the relevant jurisdiction or the practices of the Exchange. The Issuer, in any event, reserves the right to in its absolute discretion terminate Securities linked to any Proprietary Index by giving notice in accordance with General Condition 4, in the event that the relevant Index Sponsor terminates, cancels or suspends, as the case may be, any such Proprietary Index.

(b) The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determinations. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

## 5. EFFECT OF FINAL TERMS

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will

be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

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**CONDITIONS: PRODUCT CONDITIONS**  
**RELATING TO AUTOCALLABLE INDEX NOTES**

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*The Product Conditions which follow relate to the Securities and must be read in conjunction with, and are subject to, the applicable Final Terms and the General Conditions (whether or not attached to this document). The applicable Final Terms, the Product Conditions and the General Conditions together constitute the Conditions of the Securities and will be printed on any Definitive Securities and attached to any Global Security representing the Securities.*

1. DEFINITIONS

“**Agent**” means the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and together, the “**Agents**”, which expression shall include any other Agent appointed pursuant to the provisions of General Condition 12;

“**Barrier Level**” means the level determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, subject to adjustment in accordance with Product Condition 4;

“**Business Day**” means, unless otherwise specified in the applicable Final Terms, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business;

“**Cash Amount**” means in relation to the final Valuation Date an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

“**Clearing Agent**” means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a “**Clearing Agent**” and together the “**Clearing Agents**”);

“**Commodity Index**” means the commodity index (if any) specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Coupon**” means, if the Securities are interest bearing, an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount;

“**Early Redemption Amount**” means in relation to each Valuation Date other than the final Valuation Date, an amount determined by the Calculation Agent in accordance with the formula specified as such in the

definition of the relevant Series in the applicable Final Terms, less Expenses. The Early Redemption Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

“**Early Redemption Event**” occurs, unless specified otherwise in the definition of the relevant Series in the applicable Final Terms, when, in relation to any Valuation Date other than the final Valuation Date, the Final Reference Price on such Valuation Date is greater than the Initial Reference Price, as determined by or on behalf of the Calculation Agent;

“**Emerging Market Disruption Event**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

- (i) **Moratorium.** A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or
- (ii) **Price Source Disruption.** It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or
- (iii) **Governmental Default.** With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (A) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (B) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (C) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or
- (iv) **Inconvertibility/non-transferability.** The occurrence of any event which (A) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (B) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or

- (v) Nationalisation. Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or
- (vi) Illiquidity. It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or
- (vii) Change in Law. A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or
- (viii) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or
- (ix) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency, or where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or
- (x) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities;

“**Exchange**” means (i) in respect of an Index which is not a Commodity Index, each exchange or quotation system from which the Index Sponsor takes the prices of the shares or other securities that comprise the Index (the “Shares”) to compute the Index or any successor to such exchange or quotation system or (ii) in respect of a Commodity Index, the exchange or quotation system or any substitute exchange or quotation system in which trading of the futures or options contracts in the Index or its components principally occurs or the exchange or quotation system where trading has a material effect on the overall market for futures or options contracts relating to the Index or its components, in each case as determined by the Issuer, acting in good faith; “**Expenses**” means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security;

“**Final Reference Price**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the level of the Index at the Valuation Time on a Valuation Date as determined by the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such level can be determined and no Market Disruption Event has occurred and is continuing) a level determined by the Calculation Agent as its good faith estimate of the official closing level of the Index on such date having regard to the then prevailing market conditions, the last reported trading price(s) of (a) the Shares (in respect of an Index which is not a Commodity Index) or (b) the components of

the Index on the Exchange (in respect of a Commodity Index) and such other factors as the Calculation Agent determines relevant;

“**Final Terms**” means the document containing the specific terms relating to the Securities;

“**Governmental Authority**” is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate;

“**Index**” means the Index or Commodity Index specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Index Sponsor**” means the corporation or other entity that (i) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Index and (ii) announces (directly or through an agent) the level of the relevant Index on a regular basis during each Trading Day and references to Index Sponsor shall include any successor index sponsor pursuant to Product Condition 4;

“**Initial Reference Price**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the level of the Index at the Valuation Time on the Pricing Date as determined by the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such level can be determined and no Market Disruption Event has occurred and is continuing) a level determined by the Calculation Agent as its good faith estimate of the official closing level of the Index on such date having regard to the then prevailing market conditions, the last reported trading price(s) of (a) the Shares on the Exchange (in respect of an Index which is not a Commodity Index) or (b) the components of the Index on the Exchange (in respect of a Commodity Index) and such other factors as the Calculation Agent determines relevant, subject to adjustment in accordance with Product Condition 4;

“**Interest Amount**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount, an amount calculated by the Calculation Agent as follows:

$$\text{Nominal Amount} \times \text{Interest Rate} \times \text{Interest Rate Day Count Fraction};$$

“**Interest Payment Dates**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Interest Period**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the

first Interest Payment Date and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date;

“**Interest Rate**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, the rate specified as such, or determined in accordance with the formula specified, in the definition of the relevant Series in the applicable Final Terms;

“**Interest Rate Day Count Fraction**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms;

“**Issue Date**” means the date specified as such in the applicable Final Terms;

“**Issuer**” means The Royal Bank of Scotland Group plc incorporated in Scotland with its statutory seat in Edinburgh;

“**Market Disruption Event**” means each event specified as such in Product Condition 4, any Additional Market Disruption Events specified in the definition of the relevant Series in the applicable Final Terms and any Emerging Market Disruption Event;

“**Maturity Date**” means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Nominal Amount**” means the amount specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Payment Day**” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign exchange currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross-settlement Express Transfer (TARGET 2) System is open;

“**Pricing Date**” means the date specified as such in the applicable Final Terms, subject to adjustment by the Issuer in adverse market conditions if, in the opinion of the Issuer, circumstances so require;

“**Related Exchange**” means an options or futures exchange or quotation system on which options contracts or futures contracts or other derivatives contracts on the Index are traded;

“**Relevant Currency**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying, is located provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange traded fund, a mutual fund, a unit trust or a hedge fund, or an American

Depository Receipt (“**ADR**”) or Global Depository Receipt (“**GDR**”), the constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition;

“**Relevant Currency Exchange Rate**” means, each rate of exchange between the Relevant Currency and the Settlement Currency, or where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time;

“**Relevant Number of Trading Days**” means the number of Trading Days, if any, specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Relevant Percentage**” means, if applicable, the percentage specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Securities**” means each Series of the autocallable index notes specified in the applicable Final Terms and each such note a “**Security**”. References to the terms “**Securities**” and “**Security**” shall be construed severally with respect to each Series specified in the applicable Final Terms;

“**Series**” mean each series of Securities set out in the applicable Final Terms;

“**Settlement Currency**” means the currency specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Settlement Date**” means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Standard Currency**” means unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time;

“**Trading Day**” means any day on which the Index Sponsor should calculate and publish the closing level of the Index according to its rules;

“**Valuation Date**” means each of the dates specified as such in the definition of the relevant Series in the applicable Final Terms or, if any such date is not a Trading Day, the first Trading Day thereafter unless, in the determination of the Calculation Agent, a Market Disruption Event has occurred on that day, in which case the Valuation Date shall be the first succeeding Trading Day on which the Calculation Agent determines that there is no Market Disruption Event, unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Valuation Date. In that case (i) the last day of the Relevant Number of Trading Days shall be deemed to be the Valuation Date

(regardless of the Market Disruption Event) and (ii) the Calculation Agent shall determine the Final Reference Price having regard to the then prevailing market conditions, the last reported trading price(s) of (a) the Shares on the Exchange (in respect of an Index which is not a Commodity Index) or (b) the components of the Index on the Exchange (in respect of a Commodity Index) and such other factors as the Calculation Agent determines to be relevant; and

“**Valuation Time**” means (i) in respect of the AEX-index, the time with reference to which the Index Sponsor calculates the exchange delivery settlement price (the average of the prices of the AEX-index calculated at one minute intervals between 15.30 and 16.00 Amsterdam time) or (ii) in respect of any other Index, the time with reference to which the Index Sponsor calculates the closing level of the Index or in relation to (i) and (ii) at such other time as the Issuer may select in its absolute discretion and notify to Holders in accordance with General Condition 4 Terms in capitals which are not defined in these Product Conditions shall have the meanings ascribed to them in the General Conditions.

Terms in capitals which are not defined in these Product Conditions shall have the meanings ascribed to them in the General Conditions.

## 2. FORM

- (a) Global Form. Except in the case of Securities issued in the form described in either Product Condition 2(b) or 2(c), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the “**Global Security**”) which will be deposited with a Clearing Agent or the depositary for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term “**Holder**” shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested as regards the Issuer and the Agents, solely in the bearer of the Global Security.
- (b) Dematerialised Form. Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect

from time to time (the “**Rules**”). Accordingly, in these Conditions, the term “**Holder**” means a person in whose name a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

If CREST is specified as the Clearing Agent in the relevant Final Terms, the Securities will be cleared through CREST. Such Securities will be registered securities in dematerialised and uncertificated form, and will be (i) participating securities and (ii) uncertificated securities in accordance with the Uncertificated Securities Regulations 2001 (SI. No. 3755) as amended, supplemented or replaced from time to time (the “**Regulations**”).

Securities cleared through CREST may be transferred in accordance with the Regulations and the rules, procedures and practices of the relevant Operator (as defined below). No transfer of such Securities will be valid unless and until entered on the relevant Operator register of corporate securities (as defined in and in accordance with, the Regulations).

In the case of Securities cleared through CREST, title to the Securities is recorded on the relevant Operator register of corporate securities (as defined in the Regulations). The Registrar on behalf of the Issuer will maintain a register of such Securities recorded on the relevant Operator register of corporate securities (the “**Register**”) and shall procure that the Register is regularly updated to reflect the Operator register of corporate securities in accordance with the rules and practices from time to time of the Operator and the Regulations. Subject to this requirement, (i) each person who is for the time being shown in the Register as the holder of such Securities shall be treated by the Issuer and the Registrar as the holder of such Securities for all purposes and (ii) neither the Issuer nor the Registrar shall be liable in respect of any act or thing done or omitted to be done by it or on its behalf in reliance upon the assumption that the particulars entered in the Register which the Registrar maintains are in accordance with particulars entered in the Operator register of corporate securities relating to such Securities (and the expression “**Holder**” and related expressions shall be construed accordingly).

Any reference to the “**Operator**” (as such term is used in the Regulations) shall be to CREST and shall, whenever the context so permits, be deemed to include a reference to any such additional or alternative Operator approved by the Issuer from time to time in accordance with the Regulations and notified to the relevant Holders in accordance with General Condition 4.

Any indication herein that the Operator “shall do”, or similar expression or phrase indicating that they are obliged to or will carry out any role or obligation described in the Conditions and/or the applicable Final Terms, as the case may be, is given without any assumption by the Issuer, the relevant Registrar or the Calculation Agent of responsibility or liability for the performance of the Operator.<sup>3</sup> RIGHTS AND PROCEDURES

- (a) Redemption on the Settlement Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at:
  - (i) If an Early Redemption Event has not occurred, the Cash Amount; or
  - (ii) If an Early Redemption Event has occurred, the Early Redemption Amount, such redemption to occur on the Settlement Date.
- (b) Interest Amount. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction, and is payable on each Interest Payment Date.
- (c) Interest Accrual. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date or after the Valuation Date in respect of which an Early Redemption Event occurs, as the case may be, in the event that payment of any amount is postponed due to a Market Disruption Event.
- (d) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (a) if "Modified Following" is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (b) if "Following" is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.
- (e) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount, any Interest Amount or the Early Redemption Amount.
- (f) Settlement Risk. Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and none of the Issuer, any Agent nor where the

Securities are cleared through CREST, the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. None of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.

- (g) Method of Payment. Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.
- (h) Presentation and Surrender. Unless the Securities are cleared through CREST, the Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid. Where the Securities are cleared through CREST, General Condition 20 shall apply.

#### 4. ADJUSTMENTS

- (a) Market Disruption. The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred.

In respect of an Index which is not a Commodity Index “**Market Disruption Event**” means (i) a general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or (ii) the occurrence or existence on any Trading Day during the one hour period that ends at the official close of trading on the Exchange or any Related Exchange of any suspension of or limitation imposed on trading or the disruption or impairment in the ability of market participants in general to effect transactions (by reason of movements in price reaching or exceeding limits permitted by the relevant exchange or otherwise):

- (A) on any Exchange(s) in securities that comprise 20 per cent or more of the level of the relevant Index if, in the determination of the Calculation Agent, such suspension or limitation is material. For the purpose of determining whether such suspension or limitation is material, if trading in a security included in the Index is suspended or materially limited at that time, then the relevant percentage contribution of that security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that security relative to (y) the overall level of the Index, in each case immediately before that suspension or limitation; or
- (B) on any Related Exchange in any options contracts or futures contracts or other derivatives contracts relating to the relevant Index.

In any event, a limitation on the hours and number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the relevant exchange, but a limitation on trading imposed during the course of the day by reason of movements in price otherwise exceeding levels permitted by the relevant exchange may, if so determined by the Calculation Agent, constitute a Market Disruption Event.

In respect of a Commodity Index, “**Market Disruption Event**” means, in relation to the Commodity Index or its components:

- (i) **Price Source Disruption.** The failure by the Exchange to announce or publish the price of the Commodity Index or any of its components (or the information necessary for determining such price(s)) or the temporary or permanent discontinuance or unavailability of such price(s) by the Exchange; or
- (ii) **Trading Suspension.** The material suspension of trading on the Exchange; or
- (iii) **Disappearance of Price.** The permanent discontinuation of trading in the Commodity Index or any of its components on the Exchange, disappearance of, or of trading in, the Commodity Index or any of its components or the disappearance or permanent discontinuance or unavailability of a reference price, notwithstanding the availability of the related price source or the status of trading in the Commodity Index or any of its components; or
- (iv) **Material Change in Formula.** The occurrence, since the Issue Date, of a material change in the basis for (including but not limited to the quantity, quality or currency), or method of, calculating the price of a component of the Commodity Index; or
- (v) **Material Change in Content.** The occurrence, since the Issue Date, of a material change in the content or composition of a Commodity Index or any component of

the Commodity Index; or

- (vi) **De Minimis Trading.** The number of contracts traded on the Exchange with respect to a Commodity Index or any of its components is such that the Issuer declares that its ability to enter into hedging transactions with respect to the Commodity Index or any of its components has been impaired due to a lack of, or a material reduction in, trading in the Commodity Index or any of its components on the Exchange; or
  - (vii) **Tax Disruption.** The imposition of, change in, or removal of, an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measured by reference to, a Commodity Index or any of its components (other than a tax on, or measured by reference to, overall gross or net income) by any government or taxation authority after the Issue Date, if the direct effect of such imposition, change or removal is to raise or lower the price of the Commodity Index or any of its components on the Valuation Date and/or on each of the three Trading Days following the Valuation Date from what it would have been without that imposition, change or removal; or
  - (viii) **Trading Limitation.** The material limitation imposed on trading in a Commodity Index or any of its components on any exchange or principal trading market; or
  - (ix) **Moratorium.** A general moratorium is declared in respect of banking activities in the country in which the Exchange is located; or
  - (x) **Other Events.** Any other event similar to any of the above which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities.
- (b) **Adjustments to Index.** The Calculation Agent shall give notice as soon as practicable to the Holders in accordance with General Condition 4 of any determination made by it pursuant to paragraphs (1), (2), (3) or (4) below.
- (1) If the Index is: (A) not calculated and announced by the Index Sponsor but is calculated and published by a successor to the Index Sponsor (the “**Successor Sponsor**”) acceptable to the Calculation Agent; or (B) replaced by a successor index using in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then (in either case) the Index will be deemed to be the index so calculated and announced by such Successor Sponsor or that successor index, as the case may be.
  - (2) If (A) on or prior to the Valuation Date the Index Sponsor or, if applicable, the Successor Sponsor makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a

modification prescribed in that formula or method to maintain the Index in the event of changes in constituent securities or components, as the case may be, and other routine events); or (B) on or prior to the Valuation Date the Index Sponsor or, if applicable the Successor Sponsor fails to calculate and/or publish the Index; then (in either case) the Calculation Agent shall determine the Final Reference Price using, in lieu of a published level for the Index on the Valuation Date, the level for the Index as determined by the Calculation Agent in accordance with the formula for and method of calculating the Index last in effect prior to the change or failure, but using only those (a) in respect of an Index which is not a Commodity Index, securities that comprised the Index immediately prior to the change or failure (other than those securities that have since ceased to be listed on the Exchange or any other exchange on which the Shares are listed); or (b) in respect of a Commodity Index, commodity components that comprised the Index immediately prior to the change or failure (other than those components that have since ceased to be traded on the Exchange or any other exchange) or, in the case of a material modification of the Index only, shall deem such modified Index to be the Index so calculated and announced or shall (if so required by the Issuer), by giving notice in accordance with General Condition 4, terminate the Securities and pay to each Holder in respect of each Security held by such Holder an amount equal to the fair market value of the Security immediately prior to such material modification of the Index less the cost to the Issuer of unwinding any related hedging arrangements (as determined by the Issuer).

- (3) If, at any time, any of the events specified in (A) to (H) below occurs and the Index Sponsor or, if applicable, the Successor Sponsor has not in the opinion of the Calculation Agent made an appropriate adjustment to the level of the Index (which term excludes, for these purposes of this paragraph (3), any Commodity Index) in order to account fully for such event, notwithstanding that the rules published or applied by the Index Sponsor or, if applicable, the Successor Sponsor pertaining to the Index have been applied, the Calculation Agent shall make such adjustment to the level of the Index as it considers appropriate in order so to account for: (A) a distribution or dividend to existing holders of the Shares of (i) the Shares; or (ii) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the issuer of the Shares equally or proportionately with such payments to holders of Shares or (iii) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price; (B) a free distribution or dividend of any Shares to existing holders of the Shares by way of bonus, capitalisation or similar issue; (C) an extraordinary dividend; (D) any cash dividends declared on the Shares at a time when the relevant issuer of the Shares has not

previously declared or paid dividends on such Shares for the prior four quarterly periods; (E) any non-cash dividends declared on the Shares at a time when the relevant issuer of the Shares has not previously declared or paid dividends on such Shares for the prior four quarterly periods; (F) any other extraordinary cash or non-cash dividend on, or distribution with respect to, the Shares which is, by its terms or declared intent, declared and paid outside the normal operations or normal dividend procedures of the relevant issuer of the Shares, provided that, in all cases, the related ex-dividend date occurs during the period from but including the Issue Date up to and excluding the Valuation Date; (G) a distribution of cash dividends on the Shares equal to or greater than 8 per cent. per annum of the then current market value of the Shares; and (H) any other similar event having a dilutive or concentrative effect on the theoretical value of the Shares.

- (4) The Issuer reserves the right to issue further Securities, make adjustments or to distribute to the Holders any rights in connection with the Securities as it reasonably believes are appropriate in circumstances where an event or events occur which the Issuer (in its absolute discretion and notwithstanding any adjustments previously made to the Securities) believes should in the context of the issue of Securities and its obligations hereunder, give rise to such adjustment or distribution, provided that such adjustment is considered by the Calculation Agent either to be appropriate generally (without considering the individual circumstances of any Holder or the tax or other consequences of such adjustment in any particular jurisdiction) or to be required to take account of provisions of the laws of the relevant jurisdiction or the practices of the Exchange. The Issuer, in any event, reserves the right to in its absolute discretion terminate Securities linked to any Proprietary Index by giving notice in accordance with General Condition 4, in the event that the relevant Index Sponsor terminates, cancels or suspends, as the case may be, any such Proprietary Index.
- (c) The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determinations. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

5. EFFECT OF FINAL TERMS

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

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**CONDITIONS: PRODUCT CONDITIONS**  
**RELATING TO AUTOCALLABLE SHARE BASKET NOTES**

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*The Product Conditions which follow relate to the Securities and must be read in conjunction with, and are subject to, the applicable Final Terms and the General Conditions (whether or not attached to this document). The applicable Final Terms, the Product Conditions and the General Conditions together constitute the Conditions of the Securities and will be printed on any Definitive Securities and attached to any Global Security representing the Securities.*

1. DEFINITIONS

“**Agent**” means the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and together, the “**Agents**”, which expression shall include any other Agent appointed pursuant to the provisions of General Condition 12;

“**Barrier Level**” means the level determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, subject to adjustment in accordance with Product Condition 4;

“**Basket**” means the basket of shares specified as such in the definition of the Series in the applicable Final Terms subject to Product Condition 4;

“**Business Day**” means, unless otherwise specified in the applicable Final Terms, (i) a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business and (ii) if Physical Settlement is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, a day on which the Exchange is open for business;

“**Cash Amount**” means in relation to the final Valuation Date an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

“**Clearing Agent**” means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a “**Clearing Agent**” and together the “**Clearing Agents**”);

“**Coupon**” means, if the Securities are interest bearing, an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount;

“**Cut-off Date**” means, if Physical Settlement is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, seven Business Days prior to the Settlement Date;

“**Delivery Details**” means, if Physical Settlement is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, where applicable, account details and/or name and address of any person into whose name evidence of the Share Amount is to be registered and/or any bank, broker or agent to whom documents evidencing title are to be delivered;

“**Disruption Cash Settlement Price**” means, if Physical Settlement is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the fair market value of each Security on such day as shall be selected by the Issuer less the cost to the Issuer of unwinding any related hedging arrangement, all as determined by the Issuer;

“**Early Redemption Amount**” means in relation to each Valuation Date other than the final Valuation Date, an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Early Redemption Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

“**Early Redemption Event**” occurs, unless specified otherwise in the definition of the relevant Series in the applicable Final Terms, when, in relation to any Valuation Date other than the final Valuation Date, the Final Reference Price on such Valuation Date is greater than the Initial Reference Price, as determined by or on behalf of the Calculation Agent;

“**Emerging Market Disruption Event**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

- (i) Moratorium. A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or
- (ii) Price Source Disruption. It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or
- (iii) Governmental Default. With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (A) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (B) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (C) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee

without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or

(iv) Inconvertibility/non-transferability. The occurrence of any event which (A) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (B) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or

(v) Nationalisation. Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or

(vi) Illiquidity. It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or

(vii) Change in Law. A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or

(viii) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or

(ix) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency, or where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or

(x) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities;

“**Exchange**” means, with respect to each Share, each exchange or quotation system specified as such in the definition of Basket for the Series in the applicable Final Terms or any successor to such exchange or quotation system;

“**Exchange Rate**” means, where the Underlying Currency is different to the Settlement Currency, the rate of exchange between the Underlying Currency and the Settlement Currency as determined by the Calculation

Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time;

“**Expenses**” means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security;

“**Final Reference Price**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, in respect of each Share, an amount equal to the price of the Share on the Exchange at the Valuation Time on a Valuation Date as determined by or on behalf of the Calculation Agent provided that if, in the determination of the Calculation Agent, no such value can be determined and no Market Disruption Event has occurred and is continuing, Final Reference Price means a value determined by the Calculation Agent as its good faith estimate of the price of the Share at such time on such date having regard to the then prevailing market conditions, the last reported trading price of the Shares on the Exchange and such other factors as the Calculation Agent determines relevant, subject to adjustment in accordance with Product Condition 4;

“**Final Terms**” means the document containing the specific terms relating to the Securities;

“**Governmental Authority**” is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate;

“**Initial Reference Price**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, in respect of each Share, an amount equal to the price of the Share on the Exchange at the Valuation Time on the Pricing Date, as determined by or on behalf of the Calculation Agent provided that if, in the determination of the Calculation Agent, no such value can be determined and no Market Disruption Event has occurred and is continuing, Initial Reference Price means a value determined by the Calculation Agent as its good faith estimate of the price of the Share at such time on such date having regard to the then prevailing market conditions, the last reported trading price of the Shares on the Exchange and such other factors as the Calculation Agent determines relevant, subject to adjustment in accordance with Product Condition 4;

“**Interest Amount**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount, an amount calculated by the Calculation Agent as follows:

$$\text{Nominal Amount} \times \text{Interest Rate} \times \text{Interest Rate Day Count Fraction};$$

“**Interest Payment Dates**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Interest Period**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date;

“**Interest Rate**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, the rate specified as such, or determined in accordance with the formula specified, in the definition of the relevant Series in the applicable Final Terms;

“**Interest Rate Day Count Fraction**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms;

“**Issue Date**” means the date specified as such in the applicable Final Terms;

“**Issuer**” means The Royal Bank of Scotland Group plc incorporated in Scotland with its statutory seat in Edinburgh;

“**Least Performing Share**” means, if applicable, and the Share that performed the least well compared to the other Shares in the Basket according to the following formula:

$$\text{Final Reference Price} / \text{Initial Reference Price}$$

For the avoidance of doubt, the Least Performing Share may be a Share subject to a De-listing or a Share of a Share Company which is subject to Insolvency or Nationalisation. Where more than one Share is described as the Least Performing Share, the Issuer shall select one such Share as the Least Performing Share in its sole and absolute discretion. Notice to the Holders shall be delivered in accordance with General Condition 4;

“**Market Disruption Event**” means each event specified as such in Product Condition 4, any Additional Market Disruption Events specified in the definition of the relevant Series in the applicable Final Terms and any Emerging Market Disruption Event;

“**Maturity Date**” means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Nominal Amount**” means the amount specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Payment Day**” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign exchange currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency

is euro, any day on which the Trans-European Automated Real-time Gross-settlement Express Transfer (TARGET 2) System is open;

“**Pricing Date**” means the date specified in the applicable Final Terms, subject to adjustment by the Issuer in adverse market conditions if, in the opinion of the Issuer, circumstances so require;

“**Reference Price**” means the price specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Related Exchange**” means an options or futures exchange or quotation system on which options contracts or futures contracts or other derivatives contracts on the Shares are traded;

“**Relevant Currency**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying, is located provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt (“**ADR**”) or Global Depositary Receipt (“**GDR**”), the constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition;

“**Relevant Currency Exchange Rate**” means, each rate of exchange between the Relevant Currency and the Settlement Currency, or where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time;

“**Relevant Number of Trading Days**” means the number of Trading Days, if any, specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Relevant Percentage**” means, if applicable, the percentage specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Securities**” means the autocallable share basket notes specified in the applicable Final Terms and each such note a “**Security**”. References to the terms “**Securities**” and “**Security**” shall be construed severally with respect to each Series specified in the applicable Final Terms;

“**Series**” mean each series of Securities set out in the applicable Final Terms;

“**Settlement Currency**” means the currency specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Settlement Date**” means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Settlement Disruption Event**” means, if Physical Settlement is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in the determination of the Issuer, an event beyond the control of the Issuer as a result of which the Issuer cannot make delivery of the Share Amount in accordance with such market method as it decides at the relevant time for delivery of the relevant Share Amount;

“**Share**” means each of the shares specified as such in the definition of Basket in the applicable Final Terms, subject to Product Condition 4, and “**Shares**” shall be continued accordingly;

“**Share Amount**” means, if Physical Settlement is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, in the determination of the Issuer, for each Nominal Amount, a number of Least Performing Shares determined by the Calculation Agent as being the Nominal Amount divided by the Initial Reference Price of the Least Performing Share. If the Share Amount is an amount comprising a fraction of any Least Performing Shares, the Holders will receive a Share Amount comprising of the nearest whole number (rounded down) of Least Performing Shares (taking into account that a Holder’s entire holding may be aggregated at the Issuer’s discretion for the purpose of delivering the relevant Share Amount), and an amount in the Settlement Currency equal to the value of the outstanding undelivered fraction of such Least Performing Share, as calculated by the Calculation Agent on the basis of the Final Reference Price of the Least Performing Share converted into the Settlement Currency at the prevailing Exchange Rate, unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Valuation Date. In that case (i) the last day of the Relevant Number of Trading Days shall be deemed to be the Valuation Date for the purposes of calculating the value of any outstanding undelivered fraction of the Least Performing Share (regardless of the Market Disruption Event); and (ii) the Calculation Agent shall determine such value having regard to the then prevailing market conditions, the last reported trading price for the Least Performing Share on the Exchange and such other factors as the Calculation Agent determines to be relevant);

“**Share Company**” means, in relation to each Share, the share company specified as such in the definition of Basket in the applicable Final Terms, subject to Product Condition 4;

“**Standard Currency**” means unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time;

“**Trading Day**” means any day that is (or, but for the occurrence of a Market Disruption Event, would have been) a trading day on each Exchange or Related Exchange other than a day on which trading on the Exchange or Related Exchange is scheduled to close prior to its regular weekday closing time;

“**Underlying Currency**” means each currency specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Valuation Date**” means each of the dates specified as such in the definition of the relevant Series in the applicable Final Terms or, if any such date is not a Trading Day, the first Trading Day thereafter unless, in the determination of the Calculation Agent, a Market Disruption Event has occurred on that day, in which case the Valuation Date shall be the first succeeding Trading Day on which the Calculation Agent determines that there is no Market Disruption Event, unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Valuation Date. In that case (i) the last day of the Relevant Number of Trading Days shall be deemed to be the Valuation Date (regardless of the Market Disruption Event) and (ii) the Calculation Agent shall determine the Final Reference Price having regard to the then prevailing market conditions, the last reported trading price of the Shares and such other factors as the Calculation Agent determines to be relevant;

“**Valuation Time**” means the close of trading on the relevant Exchange in relation to a Share or such other time as the Issuer may determine in its absolute discretion and notify to Holders in accordance with General Condition 4; and

“**Weighting**” means, in relation to each Share, the number specified as such in the definition of Basket in the applicable Final Terms, subject to adjustment in accordance with Product Condition 4.

Terms in capitals which are not defined in these Product Conditions shall have the meanings ascribed to them in the General Conditions.

## 2. FORM

- (a) Global Form. Except in the case of Securities issued in the form described in either Product Condition 2(b) or 2(c), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the “**Global Security**”) which will be deposited with a Clearing Agent or the depository for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case

of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term “**Holder**” shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested as regards the Issuer and the Agents, solely in the bearer of the Global Security.

- (b) Dematerialised Form. Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time to time (the “**Rules**”). Accordingly, in these Conditions, the term “**Holder**” means a person in whose name a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

If CREST is specified as the Clearing Agent in the relevant Final Terms, the Securities will be cleared through CREST. Such Securities will be registered securities in dematerialised and uncertificated form, and will be (i) participating securities and (ii) uncertificated securities in accordance with the Uncertificated Securities Regulations 2001 (SI. No. 3755) as amended, supplemented or replaced from time to time (the “**Regulations**”).

Securities cleared through CREST may be transferred in accordance with the Regulations and the rules, procedures and practices of the relevant Operator (as defined below). No transfer of such Securities will be valid unless and until entered on the relevant Operator register of corporate securities (as defined in and in accordance with, the Regulations).

In the case of Securities cleared through CREST, title to the Securities is recorded on the relevant Operator register of corporate securities (as defined in the Regulations). The Registrar on behalf of the Issuer will maintain a register of such Securities recorded on the relevant Operator register of corporate securities (the “**Register**”) and shall procure that the Register is regularly updated to reflect the Operator register of corporate securities in accordance with the rules and practices from time to time of the Operator and the Regulations. Subject to this requirement, (i) each person who is for the time being shown in the Register as the holder of such Securities shall be treated by the Issuer and the Registrar as the holder of such Securities for all purposes and (ii) neither the Issuer nor the Registrar shall be liable in respect of any act or thing done or omitted to be done by it or on its behalf in reliance upon the assumption that the particulars entered in the Register which the Registrar maintains are in accordance with particulars entered in the Operator register of

corporate securities relating to such Securities (and the expression “**Holder**” and related expressions shall be construed accordingly).

Any reference to the “**Operator**” (as such term is used in the Regulations) shall be to CREST and shall, whenever the context so permits, be deemed to include a reference to any such additional or alternative Operator approved by the Issuer from time to time in accordance with the Regulations and notified to the relevant Holders in accordance with General Condition 4.

Any indication herein that the Operator “shall do”, or similar expression or phrase indicating that they are obliged to or will carry out any role or obligation described in the Conditions and/or the applicable Final Terms, as the case may be, is given without any assumption by the Issuer, the relevant Registrar or the Calculation Agent of responsibility or liability for the performance of the Operator.<sup>3</sup>

#### RIGHTS AND PROCEDURES

- (a) Redemption on the Settlement Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at:
  - (i) If an Early Redemption Event has not occurred, the Cash Amount otherwise if Physical Settlement is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the Share Amount; or
  - (ii) If an Early Redemption Event has occurred, the Early Redemption Amount, such redemption to occur on the Settlement Date.
- (b) Interest Amount. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction, and is payable on each Interest Payment Date.
- (c) Interest Accrual. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date or after the Valuation Date in respect of which an Early Redemption Event occurs, as the case may be, in the event that payment of any amount is postponed due to a Market Disruption Event.
- (d) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (a) if “Modified Following” is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (b) if “Following” is specified in the definition of Business Day

Convention for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.

- (e) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount, Early Redemption Amount, any Interest Amount, the Share Amount, any Realised Share Amount or the Disruption Cash Settlement Price, in each case, if applicable.

The purchase of Securities does not confer on any holder of such Securities any rights (whether in respect of voting, distributions or otherwise) attached to the Shares.

- (f) Notice. If Physical Settlement is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms and the Securities are to be redeemed by delivery of the Share Amount then, in order to obtain delivery of the Share Amount the relevant Holder must deliver to the Agent (if the Securities are expressed to be in Definitive form) or the Clearing Agent, (if the Securities are expressed to be in Global form) in each case with a copy to the Principal Agent or deliver to the Registrar with a copy to the Issuer (where the Securities are cleared through CREST) a notice (the “**Notice**”) not later than close of business in the place of receipt thereof on the Cut-Off Date. No Notice may be withdrawn after receipt of it by a Clearing Agent, Agent or Principal Agent. After delivery of a Notice, Securities which are the subject of such Notice may not be transferred.

The Notice shall:

- (i) specify the aggregate Nominal Amount of the Securities which are the subject of such Notice;
- (ii) attach with the specified aggregate Nominal Amount of the Securities (if in Definitive form) or specify the number of the account with the Clearing Agent (if in Global form) or the Operator and the Registrar (where the Securities are cleared through CREST), to be debited with such Securities and instruct the Clearing Agent or Operator and the Registrar, as applicable, to debit such account on such date;
- (iii) specify whether, if a Disruption Cash Settlement Price or any dividend is payable in a currency other than euro, it should be paid by or on behalf of the Issuer in the Settlement Currency (which, in the case of payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) to an account maintained by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; or if such

amount is payable in euro, payments will be made by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque and in any case specify the number of the account and other relevant information or, as the case may be, the address for delivery of the cheque;

- (iv) certify that neither the person delivering the Notice nor any person on whose behalf the Notice is being delivered is a U.S. person or a person within the United States. As used herein, “**U.S. person**” means (A) an individual who is a resident or a citizen of the United States; (B) a corporation, partnership or other entity organised in or under the laws of the United States or any political subdivision thereof or which has its principal place of business in the United States; (C) any estate or trust which is subject to United States federal income taxation regardless of the source of its income; (D) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and if one or more United States trustees have the authority to control all substantial decisions of the trust; (E) a pension plan for the employees, officers or principals of a corporation, partnership or other entity described in (B) above; (F) any entity organised principally for passive investment, 10 per cent. or more of the beneficial interests in which are held by persons described in (A) to (E) above if such entity was formed principally for the purpose of investment by such persons in a commodity pool the operator of which is exempt from certain requirements of Part 4 of the United States Commodity Futures Trading Commission’s regulations by virtue of its participants being non-U.S. persons; or (G) any other “U.S. person” as such term may be defined in Regulation S under the United States Securities Act of 1933, as amended, or in regulations adopted under the United States Commodity Exchange Act;
  - (v) include an undertaking to pay all Expenses and an authority to debit the account with the Clearing Agent or where the Securities are cleared through CREST, the Operator and the Registrar, in respect thereof or, as the case may be, to debit the account referred to in paragraph (iii) above or make a deduction from any cheque; and
  - (vi) specify the Delivery Details.
- (g) Late Delivery of Notice. If Physical Settlement is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms and the Notice is delivered to the relevant Clearing Agent or the copy is delivered to the Principal Agent or, where the Securities are cleared through CREST, delivered to the Registrar after the close of business

in the place of receipt on the Cut-off Date, then the Share Amount will be delivered as soon as practicable after the Settlement Date (the date of delivery in relation to a Share Amount whether on or after the Settlement Date being for the purposes of the Conditions the “**Delivery Date**”) in the manner provided below. For the avoidance of doubt, no holder of Securities or any other person shall be entitled to any payment, whether of interest or otherwise, by reason of the Delivery Date for such Securities occurring after the Settlement Date due to such Notice (or the copy thereof) being delivered after close of business on the Cut-off Date as provided above. In the event that a Holder does not, in respect of a Security which is to be redeemed by delivery of the Share Amount, deliver or procure delivery of a Notice as set out above, prior to the date that is 30 calendar days after the Settlement Date, the Issuer shall have the right but not the obligation to sell the Shares comprised in the Share Amount in respect of such Security in the open market or otherwise at a price determined by the Issuer, in its sole discretion, to be the fair market value of the Shares, and shall hold the proceeds (the “**Realised Share Amount**”) for the account of the relevant Holder, until presentation of the relevant Notice. Upon payment of the Realised Share Amount as aforesaid, the Issuer’s obligations in respect of such Security shall be discharged.

- (h) Verification. If Physical Settlement is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of any Notice, the relevant Holder must provide evidence to the Principal Agent, in either case reasonably satisfactory to the Principal Agent or, where the Securities are cleared through CREST, the Registrar, of its holding of such Securities.
- (i) Delivery of the Share Amount. Subject as provided in the Conditions, if Physical Settlement is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the delivery of the Share Amount shall be made at the risk of the relevant Holder and shall be delivered and evidenced in such manner as the Issuer determines to be customary for the Shares or in such other commercially reasonable manner as the Issuer shall determine to be appropriate for such delivery. The Issuer shall be under no obligation to register or procure the registration of any Holder or any other person as the registered shareholder in respect of the Shares comprised in any Share Amount in the register of members of the Share Company. Where an amount equal to the value of the outstanding undelivered fraction of the Shares is payable but the Valuation Date for calculating such amount has been delayed due to a Market Disruption Event, then such amount will be payable three Business Days after the Valuation Date used for the purposes of calculating such amount.
- (j) Determinations. If Physical Settlement is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, failure properly to complete and deliver a

Notice may result in such Notice being treated as null and void. Any determination as to whether any such Notice has been properly completed and delivered shall be made by the Principal Agent or, where the Securities are cleared through CREST, the Registrar and shall be conclusive and binding on the Issuer and the relevant Holder. Subject as set out below, any Notice so determined to be incomplete or not in proper form, or where applicable, which is not copied to the Principal Agent immediately after being delivered to a Clearing Agent or, where the Securities are cleared through CREST, which is not delivered to the Registrar as provided in the Conditions shall be void. If such Notice is subsequently corrected to the satisfaction of the Principal Agent or, where the Securities are cleared through CREST, the Registrar, it shall be deemed to be a new Notice submitted at the time such correction is delivered to such Clearing Agent and copied to the Principal Agent or, where the Securities are cleared through CREST, at such time as correction is delivered to the Registrar. The Principal Agent or, where the Securities are cleared through CREST, the Registrar shall use its best efforts promptly to notify the Holder if it has determined that a Notice is incomplete or not in proper form. In the absence of gross negligence or wilful misconduct on its part, neither the Issuer, the Principal Agent nor, where the Securities are cleared through CREST, the Registrar shall be liable to any person with respect to any action taken or omitted to be taken by it in connection with such determination or the notification of such determination to a Holder.

- (k) Intervening Period. If Physical Settlement is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms and redemption of a Security is to be by delivery of the Share Amount, for such period of time after the Settlement Date as the Issuer or any person on behalf of the Issuer shall continue to be the legal owner of the Shares comprising the relevant Share Amount (the “**Intervening Period**”), neither the Issuer nor any other such person shall (i) be under any obligation to deliver or procure delivery to the relevant Holder or any subsequent beneficial owner of any of such Shares document or payment whatsoever received by that person in its capacity as the holder of such Shares (ii) be under any obligation to exercise or procure exercise of any or all rights (including voting rights) attaching to such Shares during the Intervening Period or (iii) be under any liability to the relevant Holder or any subsequent beneficial owner of such Shares or any other person in respect of any loss or damage which the relevant Holder or subsequent beneficial owner or any other person may sustain or suffers as a result, whether directly or indirectly, of the Issuer or any other such persons being the legal owner of such Shares during such Intervening Period.
- (l) Dividends. If Physical Settlement is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, any dividend in respect of any Share Amount to be delivered will be payable to the party, as determined by the Issuer, that would receive

such dividend in accordance with market practice for a sale of the Shares executed on the Settlement Date and to be delivered in the same manner as such Share Amount. Any such dividend to be paid to a Holder shall be paid to the account specified in the relevant Notice.

- (m) **Settlement Disruption.** If Physical Settlement is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms and the Securities are to settle by delivery of the Share Amount and prior to delivery of the Share Amount in respect thereof in the opinion of the Calculation Agent, a Settlement Disruption Event is subsisting, then the Delivery Date for such Security shall be postponed to the first following Business Day on which no Settlement Disruption Event is subsisting. For so long as delivery of any Share Amount is not practicable by reason of a Settlement Disruption Event, then in lieu of physical settlement and notwithstanding any other provision hereof the Issuer may elect in its sole discretion to satisfy its obligations in respect of the relevant Security by payment of the Disruption Cash Settlement Price not later than on the third Business Day following the date that the notice of such election is given to the Holders in accordance with General Condition 4. The Calculation Agent shall give notice as soon as practicable to the Holders in accordance with General Condition 4 that a Settlement Disruption Event has occurred. No Holder or any other person shall be entitled to any payment (including but not limited to interest) in respect of a Security in the event of any delay in the delivery of any Share Amount relating thereto due to the occurrence of a Settlement Disruption Event and no liability in respect thereof shall attach to the Issuer.
- (n) **Settlement Risk.** Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and none of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. None of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- (o) **Method of Payment.** Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if

applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.

- (p) Presentation and Surrender. Unless the Securities are cleared through CREST, the Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid. Where the Securities are cleared through CREST, General Condition 20 shall apply.

#### 4. ADJUSTMENTS

- (a) Market Disruption. The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred.

**“Market Disruption Event”** means:

- (1) the occurrence or existence on any Trading Day during the one hour period that ends at the official close of trading on the Exchange or any Related Exchange of any suspension of or limitation imposed on trading or the disruption or impairment in the ability of market participants in general to effect transactions (by reason of movements in price reaching or exceeding limits permitted by the relevant exchange or otherwise):
  - (A) in the Shares on the Exchange or any other exchange on which the Shares are listed; or
  - (B) in any options contracts or futures contracts or other derivatives contracts relating to the Shares on any Related Exchange if, in the determination of the Calculation Agent, such suspension or limitation is material; or
- (2) a general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located.

For the purposes of this definition, a limitation on the hours and number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the Exchange or any Related Exchange, but a limitation on trading imposed during the course of the day by reason of movements in price otherwise exceeding levels permitted by the Exchange or any Related Exchange may, if so determined by the Calculation Agent, constitute a Market Disruption Event.

(b) Potential Adjustment Events. Following a declaration by the Share Company of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Share and, if so, will:

- (1) make the corresponding adjustment, if any, to any one or more of the Conditions as the Calculation Agent determines appropriate to account for that diluting or concentrative effect; and
- (2) determine the effective date of that adjustment.

The Calculation Agent may, but need not, determine the adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an options exchange to options on the Shares traded on that options exchange. Upon making any such adjustment, the Calculation Agent shall notify the Holders in accordance with General Condition 4, stating the adjustment to be made to the Conditions and giving brief details of the Potential Adjustment Event.

**“Potential Adjustment Event”** means any of the following: (A) a subdivision, consolidation or reclassification of relevant Shares (unless a Merger Event) or a free distribution or dividend of such Shares to existing holders of the relevant Shares by way of bonus, capitalisation, recapitalisation or similar issue; (B) a distribution or dividend to existing holders of the relevant Shares of (aa) such Shares, or (bb) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Share Company equally or proportionately with such payments to holders of such Shares, or (cc) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other) at less than the prevailing market price as determined by the Calculation Agent; (C) an extraordinary dividend; (D) a distribution of cash dividends on the Shares equal to or greater than 8 per cent. per annum of the then current market value of the Shares; (E) a call by the Share Company in respect of relevant Shares that are not fully paid; (F) a repurchase by the Share Company of relevant Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or (G) any other similar event that may have a diluting or concentrative effect on the theoretical value of the relevant Shares.

(c) De-listing, Merger Event, Nationalisation and Insolvency. If a De-listing, Merger Event, Nationalisation or Insolvency occurs in relation to the Share Company, the Issuer in its sole and absolute discretion may take the action described in (1), (2) or (3) below:

- (1) require the Calculation Agent to determine in its sole and absolute discretion the appropriate adjustment, if any, to be made to any of the other terms of these

Conditions to account for the De-listing, Merger Event, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The Calculation Agent may (but is under no obligation to) determine the appropriate adjustment by reference to the adjustment in respect of the De-listing, Merger Event, Nationalisation or Insolvency made by any Related Exchange to options contracts or futures contracts or other derivatives contracts on the Shares traded on such Related Exchange; or

- (2) cancel the Securities by giving notice to Holders in accordance with General Condition 4. If the Securities are to be cancelled the Issuer will pay an amount to each Holder in respect of each Security held by him which amount shall be the fair market value of a Security (taking into account the De-listing, Merger Event, Nationalisation or Insolvency (as the case may be)) on the day selected for cancellation as shall be selected by the Issuer in its sole and absolute discretion adjusted to account fully for any losses, expenses and costs to the Issuer and/or any affiliate of the Issuer of unwinding or adjusting any underlying or related hedging arrangements (including but not limited to any equity options or selling or otherwise realising any Shares or other instruments of any type whatsoever which the Issuer and/or any of its affiliates may hold as part of such hedging arrangements), all as determined by the Calculation Agent in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Holders in accordance with General Condition 4; or
- (3) following any adjustment to the settlement of terms of options contracts or futures contracts or any other derivatives contracts on the Shares traded on any Related Exchange, require the Calculation Agent to make a corresponding adjustment to any of the other terms of these Conditions, which adjustment will be effective as of the date determined by the Calculation Agent to be the effective date of the corresponding adjustment made by the Related Exchange. If options contracts or futures contracts or other derivatives contracts on the Shares are not traded on the Related Exchange, the Calculation Agent will make such adjustment, if any, to any of the other terms of these Conditions as the Calculation Agent in its sole and absolute discretion determines appropriate, with reference to the rules and precedents (if any) set by the Related Exchange to account for the De-listing, Merger Event, Nationalisation or Insolvency (as the case may be) that in the determination of the Calculation Agent would have given rise to an adjustment by the Related Exchange if such options contracts or futures contracts or other derivatives contracts were so traded.

Upon the occurrence of a De-listing, Merger Event, Nationalisation or Insolvency, the Calculation Agent shall notify the Holders in accordance with General Condition 4, stating the occurrence of such De-listing, Merger Event, Nationalisation or Insolvency (as the case may be) and the action proposed to be taken in relation thereto.

“**De-listing**” means a Share for any reason ceases to be listed or is suspended from listing on the Exchange or any other exchange on which the Shares are listed (and such cessation or suspension is continuing and such Share is not subsequently listed or quoted on another stock exchange or quotation system acceptable to the Issuer).

“**Merger Date**” means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent.

“**Merger Event**” means any (1) reclassification or change to the Shares that results in a transfer of or an irrevocable commitment to transfer all or a majority of the outstanding Shares; (2) consolidation, amalgamation, merger or binding share exchange of a Share Company with or into another entity (other than a consolidation, amalgamation, merger or binding share exchange in which such Share Company is the continuing entity and which does not result in any such reclassification or change to all the outstanding Shares of a Share Company); or (3) take-over offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Shares that results in a transfer of, or an irrevocable commitment to transfer a majority of the voting power of the Share Company to the offeror, in each case if the Merger Date is on or before the relevant Valuation Date.

“**Nationalisation**” means that all the Shares of a Share Company or all the assets or substantially all the assets of a Share Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority or entity.

“**Insolvency**” means that by reason of the voluntary or involuntary liquidation, bankruptcy or insolvency of or any analogous proceeding affecting a Share Company (1) all the Shares are required to be transferred to a receiver, trustee, liquidator or other similar official or (2) holders of the Shares of that Share Company become legally prohibited from transferring them.

- (d) The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any

such determinations. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

5. EFFECT OF FINAL TERMS

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

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**CONDITIONS: PRODUCT CONDITIONS**  
**RELATING TO AUTOCALLABLE REFERENCE RATE NOTES**

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*The Product Conditions which follow relate to the Securities and must be read in conjunction with, and are subject to, the applicable Final Terms and the General Conditions (whether or not attached to this document). The applicable Final Terms, the Product Conditions and the General Conditions together constitute the Conditions of the Securities and will be printed on any Definitive Securities and attached to any Global Security representing the Securities.*

1. DEFINITIONS

“**Agent**” means the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and together, the “**Agents**”, which expression shall include any other Agent appointed pursuant to the provisions of General Condition 12;

“**Barrier Level**” means the level determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, subject to adjustment in accordance with Product Condition 4;

“**Business Day**” means, unless otherwise specified in the applicable Final Terms, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business;

“**Cash Amount**” means in relation to the final Valuation Date an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

“**Clearing Agent**” means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a “**Clearing Agent**” and together the “**Clearing Agents**”);

“**Coupon**” means, if the Securities are interest bearing, an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount;

“**Early Redemption Amount**” means in relation to each Valuation Date other than the final Valuation Date, an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Early Redemption Amount

shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

“**Early Redemption Event**” occurs, unless specified otherwise in the definition of the relevant Series in the applicable Final Terms, when, in relation to any Valuation Date other than the final Valuation Date, the Final Reference Price on such Valuation Date is greater than the Initial Reference Price, as determined by or on behalf of the Calculation Agent;

“**Emerging Market Disruption Event**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

- (i) **Moratorium.** A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or
- (ii) **Price Source Disruption.** It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or
- (iii) **Governmental Default.** With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (A) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (B) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (C) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or
- (iv) **Inconvertibility/non-transferability.** The occurrence of any event which (A) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (B) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or
- (v) **Nationalisation.** Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or

substantially all of its assets in the country of the principal financial centre of the Relevant Currency;  
or

(vi) Illiquidity. It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or

(vii) Change in Law. A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or

(viii) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or

(ix) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency, or where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or

(x) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities;

“**Expenses**” means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security;

“**Final Reference Price**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Reference Rate at the Valuation Time on a Valuation Date as determined by the Calculation Agent by reference to information published on the Reference Rate Screen Page without regard to any subsequently published correction provided that if, in the determination of the Calculation Agent, a Market Disruption Event has occurred on the relevant Valuation Date, then the Final Reference Price will be the Reference Rate as determined by the Calculation Agent in accordance with Product Condition 4;

“**Final Terms**” means the document containing the specific terms relating to the Securities;

“**Governmental Authority**” is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate;

“**Initial Reference Price**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Reference Rate at the Valuation Time on the Pricing Date as determined by the Calculation Agent by reference to information published on the Reference Rate Screen Page without regard to any subsequently published correction provided that if, in the determination of the Calculation Agent, a

Market Disruption Event has occurred on the Pricing Date, then the Initial Reference Price will be the Reference Rate as determined by the Calculation Agent in accordance with Product Condition 4;

“**Interest Amount**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount, an amount calculated by the Calculation Agent as follows:

Nominal Amount x Interest Rate x Interest Rate Day Count Fraction;

“**Interest Payment Dates**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Interest Period**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date;

“**Interest Rate**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, the rate specified as such, or determined in accordance with the formula specified, in the definition of the relevant Series in the applicable Final Terms;

“**Interest Rate Day Count Fraction**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms;

“**Issue Date**” means the date specified as such in the applicable Final Terms;

“**Issuer**” means The Royal Bank of Scotland Group plc incorporated in Scotland with its statutory seat in Edinburgh;

“**Market Disruption Event**” means each event specified as such in Product Condition 4, any Additional Market Disruption Events specified in the definition of the relevant Series in the applicable Final Terms and any Emerging Market Disruption Event;

“**Maturity Date**” means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Nominal Amount**” means the amount specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Payment Day**” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign exchange currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency

is euro, any day on which the Trans-European Automated Real-time Gross-settlement Express Transfer (TARGET 2) System is open;

“**Pricing Date**” means the date specified as such in the applicable Final Terms, subject to adjustment by the Issuer in adverse market conditions if, in the opinion of the Issuer, circumstances so require;

“**Reference Rate**” means the reference rate specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Relevant Currency**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying, is located provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt (“**ADR**”) or Global Depositary Receipt (“**GDR**”), the constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition;

“**Relevant Currency Exchange Rate**” means, each rate of exchange between the Relevant Currency and the Settlement Currency, or where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time;

“**Relevant Number of Trading Days**” means the number of Trading Days, if any, specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Relevant Percentage**” means, if applicable, the percentage specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Reference Banks**” means five leading dealers in the London interbank market which ordinarily provide quotations for the Reference Rate or any other rate requested by the Calculation Agent pursuant to Condition 4, as selected by the Issuer in its absolute discretion;

“**Reference Rate Screen Page**” means the page specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Securities**” means each Series of the autocallable reference rate notes specified in the applicable Final Terms and each such note a “**Security**”. References to the terms “**Securities**” and “**Security**” shall be construed severally with respect to each Series specified in the applicable Final Terms;

“**Series**” mean each series of Securities set out in the applicable Final Terms;

“**Settlement Currency**” means the currency specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Settlement Date**” means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Standard Currency**” means unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time;

“**Trading Day**” means a day that is (or but for the occurrence of a Market Disruption Event, would have been) a day on which commercial banks and foreign exchange markets settle payments in London;

“**Valuation Date**” means each of the dates specified as such in the definition of the relevant Series in the applicable Final Terms or, if any such date is not a Trading Day, the first Trading Day thereafter unless, in the determination of the Calculation Agent, a Market Disruption Event has occurred on that day, in which case the Valuation Date shall be the first succeeding Trading Day on which the Calculation Agent determines that there is no Market Disruption Event, unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Valuation Date. In that case the last day of the Relevant Number of Trading Days shall be deemed to be the Valuation Date (regardless of the Market Disruption Event); and

“**Valuation Time**” means the time specified as such in the definition of the relevant Series in the applicable Final Terms or such other time as the Issuer may determine in its absolute discretion and notify to Holders in accordance with General Condition 4.

Terms in capitals which are not defined in these Product Conditions shall have the meanings ascribed to them in the General Conditions.

## 2. FORM

- (a) Global Form. Except in the case of Securities issued in the form described in either Product Condition 2(b) or 2(c), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the “**Global Security**”) which will be deposited with a Clearing Agent or the depositary for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of

the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term “**Holder**” shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested as regards the Issuer and the Agents, solely in the bearer of the Global Security.

- (b) Dematerialised Form. Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time to time (the “**Rules**”). Accordingly, in these Conditions, the term “**Holder**” means a person in whose name a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

If CREST is specified as the Clearing Agent in the relevant Final Terms, the Securities will be cleared through CREST. Such Securities will be registered securities in dematerialised and uncertificated form, and will be (i) participating securities and (ii) uncertificated securities in accordance with the Uncertificated Securities Regulations 2001 (SI. No. 3755) as amended, supplemented or replaced from time to time (the “**Regulations**”).

Securities cleared through CREST may be transferred in accordance with the Regulations and the rules, procedures and practices of the relevant Operator (as defined below). No transfer of such Securities will be valid unless and until entered on the relevant Operator register of corporate securities (as defined in and in accordance with, the Regulations).

In the case of Securities cleared through CREST, title to the Securities is recorded on the relevant Operator register of corporate securities (as defined in the Regulations). The Registrar on behalf of the Issuer will maintain a register of such Securities recorded on the relevant Operator register of corporate securities (the “**Register**”) and shall procure that the Register is regularly updated to reflect the Operator register of corporate securities in accordance with the rules and practices from time to time of the Operator and the Regulations. Subject to this requirement, (i) each person who is for the time being shown in the Register as the holder of such Securities shall be treated by the Issuer and the Registrar as the holder of such Securities for all purposes and (ii) neither the Issuer nor the Registrar shall be liable in respect of any act or thing done or omitted to be done by it or on its behalf in reliance upon the assumption that the particulars entered in the Register which the Registrar maintains are in accordance with particulars entered in the Operator register of

corporate securities relating to such Securities (and the expression “**Holder**” and related expressions shall be construed accordingly).

Any reference to the “**Operator**” (as such term is used in the Regulations) shall be to CREST and shall, whenever the context so permits, be deemed to include a reference to any such additional or alternative Operator approved by the Issuer from time to time in accordance with the Regulations and notified to the relevant Holders in accordance with General Condition 4.

Any indication herein that the Operator “shall do”, or similar expression or phrase indicating that they are obliged to or will carry out any role or obligation described in the Conditions and/or the applicable Final Terms, as the case may be, is given without any assumption by the Issuer, the relevant Registrar or the Calculation Agent of responsibility or liability for the performance of the Operator.

### 3. RIGHTS AND PROCEDURES

- (a) Redemption on the Settlement Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at:
  - (i) If an Early Redemption Event has not occurred, the Cash Amount; or
  - (ii) If an Early Redemption Event has occurred, the Early Redemption Amount,such redemption to occur on the Settlement Date.
- (b) Interest Amount. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction, and is payable on each Interest Payment Date.
- (c) Interest Accrual. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date or after the Valuation Date in respect of which an Early Redemption Event occurs, as the case may be, in the event that payment of any amount is postponed due to a Market Disruption Event.
- (d) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (a) if “Modified Following” is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first

preceding Payment Day or (b) if "Following" is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.

- (e) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount, any Interest Amount or the Early Redemption Amount.
- (f) Settlement Risk. Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and none of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. None of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- (g) Method of Payment. Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.
- (h) Presentation and Surrender. Unless the Securities are cleared through CREST, the Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid. Where the Securities are cleared through CREST, General Condition 20 shall apply.

#### 4. ADJUSTMENTS

- (a) **Market Disruption.** The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred.

A “**Market Disruption Event**” means the situation in which the Reference Rate is not available on the Reference Rate Screen Page, in which case the relevant rate shall be determined by the Calculation Agent, on the basis of quotations for the relevant rate or such other related rate as the Calculation Agent shall in its sole and absolute discretion specify provided by the Reference Banks at the Valuation Time for the relevant Trading Day. The Issuer will request the principal London office of each of the Reference Banks to provide a quotation of the relevant rate. The relevant rate will be the arithmetic mean of the quotations, eliminating the highest quotation (or in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest) if more than three quotations are provided. If it is not possible to obtain quotations of the relevant rate by at least three of the Reference Banks then the Calculation Agent will determine the Reference Rate at its sole and absolute discretion.

- (b) The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determination. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

## 5. EFFECT OF FINAL TERMS

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

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**CONDITIONS: PRODUCT CONDITIONS**  
**RELATING TO SHARE NOTES**

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*The Product Conditions which follow relate to the Securities and must be read in conjunction with, and are subject to, the applicable Final Terms and the General Conditions (whether or not attached to this document). The applicable Final Terms, the Product Conditions and the General Conditions together constitute the Conditions of the Securities and will be printed on any Definitive Securities and attached to any Global Security representing the Securities.*

1. DEFINITIONS

“**Agent**” means the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and together, the “**Agents**”, which expression shall include any other Agent appointed pursuant to the provisions of General Condition 12;

“**Basket**” means, unless for the relevant Series “Basket” is specified in the applicable Final Terms as being “Not Applicable”, the basket specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Business Day**” means, unless otherwise specified in the applicable Final Terms, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business;

“**Cash Amount**” means an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

“**Clearing Agent**” means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a “**Clearing Agent**” and together the “**Clearing Agents**”);

“**Coupon**” means an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount;

“**Emerging Market Disruption Event**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

- (i) Moratorium. A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or
- (ii) Price Source Disruption. It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or
- (iii) Governmental Default. With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (A) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (B) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (C) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or
- (iv) Inconvertibility/non-transferability. The occurrence of any event which (A) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (B) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or
- (v) Nationalisation. Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or
- (vi) Illiquidity. It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or

- (vii) Change in Law. A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or
- (viii) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or
- (ix) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency, or where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or
- (x) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities;

“**Exchange**” means, with respect to each Share, the exchange or quotation system specified as such in the definition of Basket or specified as such in the definition of the relevant Series in the applicable Final Terms or any successor to such exchange or quotation system;

“**Exchange Rate**” means the rate of exchange between the Underlying Currency and the Settlement Currency as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time;

“**Expenses**” means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security;

“**Final Averaging Dates**” means, unless for the relevant Series “Final Averaging Dates” is specified in the applicable Final Terms as being “Not Applicable”, in relation to each Share, each of the dates specified as such in the definition of the relevant Series in the applicable Final Terms, unless in the determination of the Calculation Agent a Market Disruption Event has occurred on any such day, in which case such Final Averaging Date shall be the first succeeding Valid Averaging Date on which the Calculation Agent determines that there is no Market Disruption Event, unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Specified Valid Averaging Dates immediately following the original date which (but for the Market Disruption Event) would have been a Final Averaging Date. In that case (i) the last Specified Valid Averaging Date shall be deemed to be the Final Averaging Date (regardless of the Market Disruption Event); and (ii) the Calculation Agent shall determine the price of the Share for such Final Averaging Date, having regard to the then prevailing market conditions, the last reported trading price of the Share on the Exchange and such other factors as the Calculation Agent determines to be relevant;

“**Final Reference Price**” means, unless for the relevant Series “Final Reference Price” is specified in the applicable Final Terms as being “Not Applicable”, the price determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Final Terms**” means the document containing the specific terms relating to the Securities;

“**Governmental Authority**” is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate;

“**Initial Averaging Dates**” means, unless for the relevant Series “Initial Averaging Dates” is specified in the applicable Final Terms as being “Not Applicable”, in relation to each Share, each of the dates specified as such in the definition of the relevant Series in the applicable Final Terms, unless in the determination of the Calculation Agent a Market Disruption Event has occurred on any such day, in which case such Initial Averaging Date shall be the first succeeding Valid Averaging Date on which the Calculation Agent determines that there is no Market Disruption Event, unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Specified Valid Averaging Dates immediately following the original date which (but for the Market Disruption Event) would have been an Initial Averaging Date. In that case (i) the last Specified Valid Averaging Date shall be deemed to be the Initial Averaging Date (regardless of the Market Disruption Event); and (ii) the Calculation Agent shall determine the price of the Share for such Initial Averaging Date, having regard to the then prevailing market conditions, the last reported trading price of the Share on the Exchange and such other factors as the Calculation Agent determines to be relevant;

“**Initial Reference Price**” means, unless for the relevant Series “Initial Reference Price” is specified in the applicable Final Terms as not applicable, the price specified as such in the definition of the relevant Series in the applicable Final Terms, subject to adjustment in accordance with Product Condition 4;

“**Interest Amount**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount, an amount calculated by the Calculation Agent as follows:

$$\text{Nominal Amount} \times \text{Interest Rate} \times \text{Interest Rate Day Count Fraction};$$

“**Interest Payment Dates**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Interest Period”** means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date or the Issuer Call Date, as the case may be, and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date or the Issuer Call Date, as the case may be;

**“Interest Rate”** means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the rate per annum specified as such, or determined in accordance with the formula specified, in the definition of the relevant Series in the applicable Final Terms;

**“Interest Rate Day Count Fraction”** means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms;

**“Issue Date”** means the date specified as such in the applicable Final Terms;

**“Issuer”** means The Royal Bank of Scotland Group plc incorporated in Scotland with its statutory seat in Edinburgh;

**“Issuer Call”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the termination of the Securities by the Issuer in accordance with Product Condition 3(b);

**“Issuer Call Cash Amount”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the amount specified, or determined by the Calculation Agent in accordance with the formula specified, in the definition of Issuer Call Cash Amount for the relevant Series in the applicable Final Terms, less Expenses. The Issuer Call Cash Amount payable to a Holder shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

**“Issuer Call Commencement Date”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the date specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Issuer Call Date”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each date specified as such in the definition of the relevant Series in the applicable Final Terms or, if no such date is specified, in the notice delivered in accordance with Product Condition 3(b);

**“Issuer Call Notice Period”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the period specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Market Disruption Event”** means each event specified as such in Product Condition 4, any Additional Market Disruption Events specified in the definition of the relevant Series in the applicable Final Terms and any Emerging Market Disruption Event;

**“Maturity Date”** means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Nominal Amount”** means the amount specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Payment Day”** means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign exchange currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross-settlement Express Transfer (TARGET 2) System is open;

**“Pricing Date”** means the date specified as such in the applicable Final Terms, subject to adjustment by the Issuer in adverse market conditions if, in the opinion of the Issuer, circumstances so require;

**“Related Exchange”** means an options or futures exchange or quotation system on which options contracts or futures contracts or other derivatives contracts on the Shares are traded;

**“Relevant Currency”** means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying, is located provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt (“**ADR**”) or Global Depositary Receipt (“**GDR**”), the constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition;

**“Relevant Currency Exchange Rate”** means, each rate of exchange between the Relevant Currency and the Settlement Currency, or where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time;

“**Securities**” means each Series of the share notes specified in the applicable Final Terms and each such note a “**Security**”. References to the terms “**Securities**” and “**Security**” shall be construed severally with respect to each Series specified in the applicable Final Terms;

“**Series**” means each series of Securities set out in the applicable Final Terms;

“**Settlement Currency**” means the currency specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Settlement Date**” means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Share**” means each of the shares specified as such in the definition of Basket or specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4 and “**Shares**” shall be construed accordingly;

“**Share Company**” means, in relation to each Share, the share company specified as such in the definition of Basket or specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Specified Trading Days**” means the number of Trading Days specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Specified Valid Averaging Dates**” means the number of Valid Averaging Dates specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Standard Currency**” means unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time;

“**Trading Day**” means any day that is (or, but for the occurrence of a Market Disruption Event, would have been) a trading day on each Exchange or Related Exchange other than a day on which trading on the Exchange or Related Exchange is scheduled to close prior to its regular weekday closing time;

“**Underlying Currency**” means, in relation to each Share, the currency specified as such in the definition of Basket or specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Valid Averaging Date**” means a Trading Day which is not an Initial Averaging Date or a Final Averaging Date;

“**Valuation Date**” means, unless for the relevant Series “Valuation Date” is specified in the applicable Final Terms as being “Not Applicable”, the date specified as such in the definition of the relevant Series in the applicable Final Terms or, if such day is not a Trading Day, the first Trading Day thereafter unless, in the determination of the Calculation Agent, a Market Disruption Event has occurred on that day in which case the Valuation Date shall be the first succeeding Trading Day on which the Calculation Agent determines that there is no Market Disruption Event, unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Specified Trading Days immediately following the original date which (but for the Market Disruption Event) would have been a Valuation Date. In that case the last Specified Trading Day shall be deemed to be the Valuation Date (regardless of the Market Disruption Event);

“**Valuation Time**” means the close of trading on the relevant Exchange in relation to a Share or such other time as the Issuer may select in its absolute discretion and notify to Holders in accordance with General Condition 4; and

“**Weight**” means, if applicable, in relation to each Share, the percentage specified as such in the definition of Basket in the applicable Final Terms, subject to adjustment in accordance with Product Condition 4.

Terms in capitals which are not defined in these Product Conditions shall have the meanings ascribed to them in the General Conditions.

## 2. FORM

- (a) Global Form. Except in the case of Securities issued in the form described in either Product Condition 2(b) or 2(c), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the “**Global Security**”) which will be deposited with a Clearing Agent or the depositary for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term “**Holder**” shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested as regards the Issuer and the Agents, solely in the bearer of the Global Security.

- (b) Dematerialised Form. Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time to time (the “**Rules**”). Accordingly, in these Conditions, the term “**Holder**” means a person in whose name a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

If CREST is specified as the Clearing Agent in the relevant Final Terms, the Securities will be cleared through CREST. Such Securities will be registered securities in dematerialised and uncertificated form, and will be (i) participating securities and (ii) uncertificated securities in accordance with the Uncertificated Securities Regulations 2001 (SI. No. 3755) as amended, supplemented or replaced from time to time (the “**Regulations**”).

Securities cleared through CREST may be transferred in accordance with the Regulations and the rules, procedures and practices of the relevant Operator (as defined below). No transfer of such Securities will be valid unless and until entered on the relevant Operator register of corporate securities (as defined in and in accordance with, the Regulations).

In the case of Securities cleared through CREST, title to the Securities is recorded on the relevant Operator register of corporate securities (as defined in the Regulations). The Registrar on behalf of the Issuer will maintain a register of such Securities recorded on the relevant Operator register of corporate securities (the “**Register**”) and shall procure that the Register is regularly updated to reflect the Operator register of corporate securities in accordance with the rules and practices from time to time of the Operator and the Regulations. Subject to this requirement, (i) each person who is for the time being shown in the Register as the holder of such Securities shall be treated by the Issuer and the Registrar as the holder of such Securities for all purposes and (ii) neither the Issuer nor the Registrar shall be liable in respect of any act or thing done or omitted to be done by it or on its behalf in reliance upon the assumption that the particulars entered in the Register which the Registrar maintains are in accordance with particulars entered in the Operator register of corporate securities relating to such Securities (and the expression “**Holder**” and related expressions shall be construed accordingly).

Any reference to the “**Operator**” (as such term is used in the Regulations) shall be to CREST and shall, whenever the context so permits, be deemed to include a reference to any such additional or alternative Operator approved by the Issuer from time to time in

accordance with the Regulations and notified to the relevant Holders in accordance with General Condition 4.

Any indication herein that the Operator “shall do”, or similar expression or phrase indicating that they are obliged to or will carry out any role or obligation described in the Conditions and/or the applicable Final Terms, as the case may be, is given without any assumption by the Issuer, the relevant Registrar or the Calculation Agent of responsibility or liability for the performance of the Operator.

### 3. RIGHTS AND PROCEDURES

- (a) Redemption on the Settlement Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at the Cash Amount, such redemption to occur, subject as provided below, on the Settlement Date.
- (b) Issuer Call. If “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the Issuer may redeem the Securities in whole, but not in part, on any Issuer Call Date at the Issuer Call Cash Amount by giving Holders at least the Issuer Call Notice Period notice of its intention to redeem the Securities, such notice to be given at any time from (and including) the Issuer Call Commencement Date. Any such notice shall be given in accordance with the provisions of General Condition 4 and shall specify the Issuer Call Date.
- (c) Interest Amount. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction, and is payable on each Interest Payment Date and the Issuer Call Date (if applicable), as the case may be.
- (d) Interest Accrual. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date or the Issuer Call Date, as the case may be, in the event that payment of any amount is postponed due to a Market Disruption Event.
- (e) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (a) if "Modified Following" is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first

preceding Payment Day or (b) if " Following" is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.

- (f) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount, any Issuer Call Cash Amount or any Interest Amount. The purchase of Securities does not confer on any holder of such Securities any rights (whether in respect of voting, distributions or otherwise) attached to the Shares.
- (g) Settlement Risk. Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and none of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. None of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- (h) Method of Payment. Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.
- (i) Presentation and Surrender. Unless the Securities are cleared through CREST, the Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid. Where the Securities are cleared through CREST, General Condition 20 shall apply.

4. ADJUSTMENTS

- (a) **Market Disruption.** The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred.

“**Market Disruption Event**” means:

- (1) the occurrence or existence on any Trading Day during the one hour period that ends at the official close of trading on the Exchange or any Related Exchange of any suspension of or limitation imposed on trading or the disruption or impairment in the ability of market participants in general to effect transactions (by reason of movements in price reaching or exceeding limits permitted by the relevant exchange or otherwise):
  - (A) in the Shares on the Exchange or any other exchange on which the Shares are listed; or
  - (B) in any options contracts or futures contracts or other derivatives contracts relating to the Shares on any Related Exchange if, in the determination of the Calculation Agent, such suspension or limitation is material; or
- (2) a general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located.

For the purposes of this definition, a limitation on the hours and number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the Exchange or any Related Exchange, but a limitation on trading imposed during the course of the day by reason of movements in price otherwise exceeding levels permitted by the Exchange or any Related Exchange may, if so determined by the Calculation Agent, constitute a Market Disruption Event.

- (b) **Potential Adjustment Events.** Following a declaration by the Share Company of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Share and, if so, will:
- (1) make the corresponding adjustment, if any, to any one or more of the Conditions as the Calculation Agent determines appropriate to account for that diluting or concentrative effect; and
  - (2) determine the effective date of that adjustment.

The Calculation Agent may, but need not, determine the adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an options exchange to

options on the Shares traded on that options exchange. Upon making any such adjustment, the Calculation Agent shall notify the Holders in accordance with General Condition 4, stating the adjustment to be made to the Conditions and giving brief details of the Potential Adjustment Event.

**“Potential Adjustment Event”** means any of the following: (A) a subdivision, consolidation or reclassification of relevant Shares (unless a Merger Event) or a free distribution or dividend of such Shares to existing holders by way of bonus, capitalisation, recapitalisation or similar issue; (B) a distribution or dividend to existing holders of the relevant Shares of the relevant Shares of (aa) such Shares, or (bb) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Share Company equally or proportionately with such payments to holders of such Shares, or (cc) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other) at less than the prevailing market price as determined by the Calculation Agent; (C) an extraordinary dividend; (D) a distribution of cash dividends on the Shares equal to or greater than 8 per cent. per annum of the then current market value of the Shares; (E) a call by the Share Company in respect of relevant Shares that are not fully paid; (F) a repurchase by the Share Company of relevant Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or (G) any other similar event that may have a diluting or concentrative effect on the theoretical value of the relevant Shares.

- (c) De-listing, Merger Event, Nationalisation and Insolvency. If a De-listing, Merger Event, Nationalisation or Insolvency occurs in relation to the Share Company, the Issuer in its sole and absolute discretion may take the action described in (1), (2) or (3) below:
- (1) require the Calculation Agent to determine in its sole and absolute discretion the appropriate adjustment, if any, to be made to any of the other terms of these Conditions to account for the De-listing, Merger Event, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The Calculation Agent may (but is under no obligation to) determine the appropriate adjustment by reference to the adjustment in respect of the De-listing, Merger Event, Nationalisation or Insolvency made by any Related Exchange to options contracts or futures contracts or other derivatives contracts on the Shares traded on such Related Exchange; or
  - (2) cancel the Securities by giving notice to Holders in accordance with General Condition 4. If the Securities are to be cancelled the Issuer will pay an amount to each Holder in respect of each Security held by him which amount shall be the fair market value of a Security (taking into account the De-listing, Merger Event,

Nationalisation or Insolvency (as the case may be)) on the day selected for cancellation as shall be selected by the Issuer in its sole and absolute discretion adjusted to account fully for any losses, expenses and costs to the Issuer and/or any affiliate of the Issuer of unwinding or adjusting any underlying or related hedging arrangements (including but not limited to any equity options or selling or otherwise realising any Shares or other instruments of any type whatsoever which the Issuer and/or any of its affiliates may hold as part of such hedging arrangements), all as determined by the Calculation Agent in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Holders in accordance with General Condition 4; or

- (3) following any adjustment to the settlement of terms of options contracts or futures contracts or any other derivatives contracts on the Shares traded on any Related Exchange, require the Calculation Agent to make a corresponding adjustment to any of the other terms of these Conditions, which adjustment will be effective as of the date determined by the Calculation Agent to be the effective date of the corresponding adjustment made by the Related Exchange. If options contracts or futures contracts or other derivatives contracts on the Shares are not traded on the Related Exchange, the Calculation Agent will make such adjustment, if any, to any of the other terms of these Conditions as the Calculation Agent in its sole and absolute discretion determines appropriate, with reference to the rules and precedents (if any) set by the Related Exchange to account for the De-listing, Merger Event, Nationalisation or Insolvency (as the case may be) that in the determination of the Calculation Agent would have given rise to an adjustment by the Related Exchange if such options contracts or futures contracts or other derivatives contracts were so traded.

Upon the occurrence of a De-listing, Merger Event, Nationalisation or Insolvency, the Calculation Agent shall notify the Holders in accordance with General Condition 4, stating the occurrence of such De-listing, Merger Event, Nationalisation or Insolvency (as the case may be) and the action proposed to be taken in relation thereto.

“**De-listing**” means a Share for any reason ceases to be listed or is suspended from listing on the Exchange (and such cessation or suspension is continuing and such Share is not subsequently listed or quoted on another stock exchange or quotation system acceptable to the Issuer).

“**Merger Date**” means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent.

“**Merger Event**” means any (1) reclassification or change to the Shares that results in a transfer of or an irrevocable commitment to transfer all or a majority of the outstanding Shares; (2) consolidation, amalgamation, merger or binding share exchange of a Share Company with or into another entity (other than a consolidation, amalgamation, merger or binding share exchange in which such Share Company is the continuing entity and which does not result in any such reclassification or change to all the outstanding Shares); or (3) take-over offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Shares that results in a transfer of, or an irrevocable commitment to transfer a majority of the voting power of the Share Company to the offeror, in each case if the Merger Date is on or before the Issuer Call Date or Valuation Date, as applicable.

“**Nationalisation**” means that all the Shares of a Share Company or all the assets or substantially all the assets of a Share Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority or entity.

“**Insolvency**” means that by reason of the voluntary or involuntary liquidation, bankruptcy or insolvency of or any analogous proceeding affecting a Share Company, (1) all the Shares are required to be transferred to a receiver, trustee, liquidator or other similar official or (2) holders of the Shares of that Share Company become legally prohibited from transferring them.

- (d) The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determinations. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

## 5. EFFECT OF FINAL TERMS

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

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**CONDITIONS: PRODUCT CONDITIONS**  
**RELATING TO SINGLE STOCK EXCHANGEABLE NOTES**

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*The Product Conditions which follow relate to the Securities and must be read in conjunction with, and are subject to, the applicable Final Terms and the General Conditions (whether or not attached to this document). The applicable Final Terms, the Product Conditions and the General Conditions together constitute the Conditions of the Securities and will be printed on any Definitive Securities and attached to any Global Security representing the Securities.*

1. DEFINITIONS

“**Agent**” means each of the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and together, the “**Agents**”, which expression shall include any other Agent appointed pursuant to the provisions of General Condition 12;

“**Business Day**” means, unless otherwise specified in the applicable Final Terms, (i) a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business and (ii) a day on which the Exchange is open for business;

“**Cash Amount**” means an amount determined by the Calculation Agent in accordance with the formula specified in the definition of Cash Amount for the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount payable to a Holder shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

“**Clearing Agent**” means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a “**Clearing Agent**” and together the “**Clearing Agents**”);

“**Coupon**” means an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount;

“**Delivery Details**” means, where applicable, account details and/or name and address of any person into whose name evidence of the Share Amount is to be registered and/or any bank, broker or agent to whom documents evidencing title are to be delivered;

“**Disruption Cash Settlement Price**” means the fair market value of the Security on such day as shall be selected by the Issuer less the cost to the Issuer of unwinding any related hedging arrangement, all as determined by the Issuer;

**“Emerging Market Disruption Event”** means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

- (i) **Moratorium.** A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or
- (ii) **Price Source Disruption.** It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or
- (iii) **Governmental Default.** With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (A) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (B) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (C) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or
- (iv) **Inconvertibility/non-transferability.** The occurrence of any event which (A) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (B) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or
- (v) **Nationalisation.** Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or
- (vi) **Illiquidity.** It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or

- (vii) Change in Law. A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or
- (viii) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or
- (ix) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency, or where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or
- (x) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities;

“**Exchange**” means the exchange or quotation system specified as such in the definition of the relevant Series in the applicable Final Terms or any successor to such exchange or quotation system;

“**Exchange Date**” means the date of valid delivery of the Notice pursuant to the Holder’s Optional Exchange Right;

“**Exchange Period**” means the period specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Exchange Price**” means the price specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Exchange Rate**” means the rate of exchange between the Underlying Currency and the Settlement Currency as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time;

“**Exchange Time**” means the time specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Expenses**” means all taxes, duties, and/or expenses, including all applicable depositary, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security;

“**Final Reference Price**” means, unless specified otherwise in the definition of the relevant Series in the applicable Final Terms, an amount (which shall be deemed to be a monetary value in the Underlying Currency) equal to the price of the Share on the Exchange at the Valuation Time on the Valuation Date or the Issuer Call Date, as the case may be, as determined by or on behalf of the Calculation Agent or (if, in the determination of the Calculation Agent, no such price can be determined and no Market Disruption Event has occurred and is continuing) an amount determined by the Calculation Agent as its good faith estimate of

the price of the Share on such date having regard to the then prevailing market conditions, the last reported trading price of the Share on the Exchange and such other factors as the Calculation Agent determines relevant;

“**Final Terms**” means the document containing the specific terms relating to the Securities;

“**Governmental Authority**” is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate;

“**Holder**” has the meaning set out in Product Condition 2;

“**Interest Amount**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount, an amount calculated by the Calculation Agent as follows:

$$\text{Nominal Amount} \times \text{Interest Rate} \times \text{Interest Rate Day Count Fraction};$$

“**Interest Payment Dates**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Interest Period**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date. In respect of each Security, the Interest Period during which a Notice is delivered and each subsequent Interest Period shall be disregarded for this purpose;

“**Interest Rate**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the rate per annum specified as such, or determined in accordance with the formula specified, in the definition of the relevant Series in the applicable Final Terms;

“**Interest Rate Day Count Fraction**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms;

“**Issue Date**” means the date specified as such in the applicable Final Terms;

“**Issuer**” means The Royal Bank of Scotland Group plc incorporated in Scotland with its statutory seat in Edinburgh;

“**Issuer Call**” means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the termination of the Securities by the Issuer in accordance with Product Condition 3(d);

**“Issuer Call Cash Amount”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the amount specified, or determined by the Calculation Agent in accordance with the formula specified, in the definition of Issuer Call Cash Amount for the relevant Series in the applicable Final Terms, less Expenses. The Issuer Call Cash Amount payable to a Holder shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

**“Issuer Call Commencement Date”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the date specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Issuer Call Date”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each date specified as such in the definition of the relevant Series in the applicable Final Terms or, if no such date is specified, in the notice delivered in accordance with Product Condition 3(d) and, if any such day is not a Trading Day, means the first succeeding Trading Day unless, in the determination of the Calculation Agent, a Market Disruption Event has occurred on that day in which case the Issuer Call Date shall be the first succeeding Trading Day on which the Calculation Agent determines that there is no Market Disruption Event, unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Issuer Call Date. In that case (a) the last day of the Relevant Number of Trading Days shall be deemed to be the Issuer Call Date (regardless of the Market Disruption Event) and (b) the Calculation Agent shall determine Final Reference Price having regard to the then prevailing market conditions, the last reported trading price of the Shares and such other factors as the Calculation Agent determines to be relevant;

**“Issuer Call Notice Period”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the period specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Market Disruption Event”** means each event specified as such in Product Condition 4, any Additional Market Disruption Events specified in the definition of the relevant Series in the applicable Final Terms and any Emerging Market Disruption Event;

**“Maturity Date”** means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Nominal Amount”** means the amount specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Optional Exchange Right”** means the right of the Holder to exchange any Security, in whole but not in part, for the Share Amount in accordance with Product Condition 3(e);

**“Optional Exchange Right Notice Period”** means the period specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Payment Day**” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the relevant place of presentation of the Securities and either (i) if the Settlement Currency is not euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of such currency (if other than the place of presentation of such Security) or (ii) if the Settlement Currency is euro, a day on which the Trans-European Automated Real-Time Gross-settlement Express Transfer (TARGET 2) System is open;

“**Pricing Date**” means the date (if any) specified as such in the applicable Final Terms, subject to adjustment by the Issuer in adverse market conditions if, in the opinion of the Issuer, circumstances so require;

“**Related Exchange**” means an options or futures exchange or quotation system on which options contracts or futures contracts or other derivatives contracts on the Share are traded;

“**Relevant Currency**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying, is located provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt (“**ADR**”) or Global Depositary Receipt (“**GDR**”), the constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition;

“**Relevant Currency Exchange Rate**” means, each rate of exchange between the Relevant Currency and the Settlement Currency, or where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time;

“**Relevant Number of Trading Days**” means the number of Trading Days, if any, specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Securities**” means each Series of the single stock exchangeable securities specified in the applicable Final Terms and each such note a “**Security**”. References to the terms “**Securities**” and “**Security**” shall be construed severally with respect to each Series specified in the applicable Final Terms;

“**Series**” means each series of Securities set out in the applicable Final Terms;

“**Settlement Currency**” means the currency specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Settlement Date**” means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Settlement Disruption Event**” means, in the determination of the Issuer, an event beyond the control of the Issuer as a result of which the Issuer cannot make delivery of the Share Amount in accordance with such market method as it decides at the relevant time for delivery of the relevant Share Amount;

“**Share**” means the share specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Share Amount**” means for each Nominal Amount the number of Shares specified in the definition of the relevant Series in the applicable Final Terms, subject to any adjustment in accordance with Product Condition 4. If the Share Amount is an amount comprising a fraction of any Share, the Holder will receive a Share Amount comprising the nearest whole number (rounded down) of Shares (taking into account that a Holder’s entire holding may be aggregated at the Issuer’s discretion for the purpose of delivering the relevant Share Amount) and an amount equal to the value of the outstanding undelivered fraction of such Share, as calculated by the Calculation Agent on the basis of the price of the Share on the Exchange at the Valuation Time on the Valuation Date, Issuer Call Date or Exchange Date, as the case may be, (each a “**Relevant Date**”) converted into the Settlement Currency at the prevailing Exchange Rate, if an Exchange Rate is specified, unless the Calculation Agent determines that there is a Market Disruption Event occurring on the Relevant Date and each of the Relevant Number of Trading Days immediately following the Relevant Date. In that case (i) the last day of the Relevant Number of Trading Days shall be deemed to be the Relevant Date for the purposes of calculating the value of any outstanding undelivered fraction of the Share (regardless of the Market Disruption Event) and (ii) the Calculation Agent shall determine such value having regard to the then prevailing market conditions, the last reported trading price for the Share on the Exchange and such other factors as the Calculation Agent determines to be relevant;

“**Share Company**” means the company specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Standard Currency**” means unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time;

“**Trading Day**” means any day that is (or, but for the occurrence of a Market Disruption Event, would have been) a trading day on the Exchange or any Related Exchange other than a day on which trading on the Exchange or Related Exchange is scheduled to close prior to its regular weekday closing time;

“**Underlying Currency**” means the currency specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Valuation Date**” means the date specified as such in the definition of the relevant Series in the applicable Final Terms or, if such date is not a Trading Day, the first Trading Day thereafter unless, in the determination of the Calculation Agent, a Market Disruption Event has occurred on that day, in which case the Valuation Date shall be the first succeeding Trading Day on which the Calculation Agent determines that there is no Market Disruption Event unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Market Disruption Event) would have been a Valuation Date. In that case (i) the last day of the Relevant Number of Trading Days shall be deemed to be the Valuation Date (regardless of the Market Disruption Event) and (ii) the Calculation Agent shall determine the Final Reference Price having regard to the then prevailing market conditions, the last reported trading price of the Share on the Exchange and such other factors as the Calculation Agent determines to be relevant; and

“**Valuation Time**” means the time with reference to which the Exchange publishes the official closing price of the Share or such other time as the Issuer may determine in its absolute discretion and notify to Holders in accordance with General Condition 4.

Terms in capitals which are not defined in these Product Conditions shall have the meanings ascribed to them in the General Conditions.

## 2. FORM

- (a) **Global Form.** Except in the case of Securities issued in the form described in either Product Condition 2(b) or 2(c), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the “**Global Security**”) which will be deposited with a Clearing Agent or the depositary for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term “**Holder**” shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested as regards the Issuer and the Agents, solely in the bearer of the Global Security.
- (b) **Dematerialised Form.** Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between

accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time to time (the “**Rules**”). Accordingly, in these Conditions, the term “**Holder**” means a person in whose name a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

If CREST is specified as the Clearing Agent in the relevant Final Terms, the Securities will be cleared through CREST. Such Securities will be registered securities in dematerialised and uncertificated form, and will be (i) participating securities and (ii) uncertificated securities in accordance with the Uncertificated Securities Regulations 2001 (SI. No. 3755) as amended, supplemented or replaced from time to time (the “**Regulations**”).

Securities cleared through CREST may be transferred in accordance with the Regulations and the rules, procedures and practices of the relevant Operator (as defined below). No transfer of such Securities will be valid unless and until entered on the relevant Operator register of corporate securities (as defined in and in accordance with, the Regulations).

In the case of Securities cleared through CREST, title to the Securities is recorded on the relevant Operator register of corporate securities (as defined in the Regulations). The Registrar on behalf of the Issuer will maintain a register of such Securities recorded on the relevant Operator register of corporate securities (the “**Register**”) and shall procure that the Register is regularly updated to reflect the Operator register of corporate securities in accordance with the rules and practices from time to time of the Operator and the Regulations. Subject to this requirement, (i) each person who is for the time being shown in the Register as the holder of such Securities shall be treated by the Issuer and the Registrar as the holder of such Securities for all purposes and (ii) neither the Issuer nor the Registrar shall be liable in respect of any act or thing done or omitted to be done by it or on its behalf in reliance upon the assumption that the particulars entered in the Register which the Registrar maintains are in accordance with particulars entered in the Operator register of corporate securities relating to such Securities (and the expression “**Holder**” and related expressions shall be construed accordingly).

Any reference to the “**Operator**” (as such term is used in the Regulations) shall be to CREST and shall, whenever the context so permits, be deemed to include a reference to any such additional or alternative Operator approved by the Issuer from time to time in accordance with the Regulations and notified to the relevant Holders in accordance with General Condition 4.

Any indication herein that the Operator “shall do”, or similar expression or phrase indicating that they are obliged to or will carry out any role or obligation described in the Conditions and/or the

applicable Final Terms, as the case may be, is given without any assumption by the Issuer, the relevant Registrar or the Calculation Agent of responsibility or liability for the performance of the Operator.

### 3. RIGHTS AND PROCEDURES

- (a) Redemption on the Settlement Date. Unless previously exchanged, redeemed or purchased and cancelled and subject as provided by the Conditions and in the case of an Issuer Call (if applicable), each Security will be redeemed in respect of each Nominal Amount at:
- (i) the Cash Amount, on the Maturity Date;
  - (ii) by delivery of the Share Amount, in the event of there being an Optional Exchange Right;
  - (iii) if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the Issuer Call Cash Amount in the event of there being an Issuer Call and the Issuer Call Cash Amount Condition specified in the definition of the relevant Series in the applicable Final Terms is satisfied; or
  - (iv) if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, by delivery of the Share Amount in the event of there being an Issuer Call and the Issuer Call Share Amount Condition specified in the definition of the relevant Series in the applicable Final Terms is satisfied,
- such redemption to occur, subject as provided below, on the Settlement Date.
- (b) Interest Amount. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction and is payable on each Interest Payment Date. In respect of each Security, in the event that a Notice is delivered by the relevant Holder during an Interest Period then, in respect of that Interest Period and each subsequent Interest Period to the Maturity Date, no further Interest Amount shall be paid and any accrued unpaid Interest Amount shall be exchanged as provided in Product Condition 3(e).
- (c) Interest Accrual. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest (A) from and including the due date for redemption, or (B) if a Notice is delivered, from and including the last day of the immediately preceding Interest Period. No interest shall accrue after the Maturity Date or any earlier date, as the case may be, in the event that payment of any amount, or delivery of any Share Amount or payment of any fraction of a Share, is

postponed due to the occurrence of a Settlement Disruption Event or a Market Disruption Event. Further, no Interest Amount will be paid in respect of the Interest Period in which the Exchange Date or, if applicable, the Issuer Call Date falls.

- (d) Issuer Call. If "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the Issuer may terminate the Securities, in whole or in part, on any Business Day by giving Holders at least the Issuer Call Notice Period notice of its intention to terminate the Securities, such notice to be given at any time from (and including) the Issuer Call Commencement Date. Any such notice shall be given in accordance with the provisions of General Condition 4 and shall specify the Issuer Call Date.
- (e) Optional Exchange Right. Subject to an Issuer Call (if applicable), the Holder is entitled to exercise the Optional Exchange Right on any Business Day during the Exchange Period by giving at least the Optional Exchange Right Notice Period notice and by delivery of a valid Notice by the Exchange Time in accordance with Product Condition 3(h) at the specified office of any Agent. Upon any such valid exchange, the right of the relevant Holder to receive the Cash Amount and any Interest Amount not yet paid shall be extinguished and in consideration and exchange thereof the Issuer shall, except as otherwise provided in these Conditions, deliver the Share Amount on the Settlement Date.

In the event that the Holder does not hold an account with the Exchange on the Settlement Date, the Issuer shall use reasonable endeavours to sell the Share Amount on behalf of the Holder and pay the resultant proceeds of sale less Expenses to the Holder in such manner as it shall determine in its sole discretion.

- (f) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (a) if "Modified Following" is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (b) if "Following" is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.
- (g) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount, any Issuer Call Amount, any Interest Amount, the Share Amount or the Disruption Cash Settlement Price. The purchase of Securities does not confer on any holder of such Securities any rights (whether in respect of voting, distributions or otherwise) attached to the Shares.

- (h) Notice. Pursuant to Condition 3(e), to exercise the Optional Exchange Right, the relevant Holder must deliver to the Clearing Agent with a copy to the Principal Agent or deliver to the Registrar with a copy to the Issuer (where the Securities are cleared through CREST), a notice in the form obtainable from the Agents (the “**Notice**”). No Notice may be withdrawn after receipt of it by a Clearing Agent or the Principal Agent. After delivery of a Notice, Securities which are the subject of such Notice may not be transferred.

The Notice shall:

- (i) be dated and shall specify the aggregate Nominal Amount of the Securities which are the subject of such Notice;
- (ii) specify the number of the account with the Clearing Agent or the Operator and the Registrar (where the Securities are cleared through CREST) to be debited with such Securities and instruct the Clearing Agent or the Operator and the Registrar, as applicable, to debit such account on such date;
- (iii) specify the number of the account with the Clearing Agent to be credited with any Disruption Cash Settlement Price;
- (iv) certify that neither the person delivering the Notice nor any person on whose behalf the Notice is being delivered is a U.S. person or a person within the United States. As used herein, “**U.S. person**” means (A) an individual who is a resident or a citizen of the United States; (B) a corporation, partnership or other entity organised in or under the laws of the United States or any political subdivision thereof or which has its principal place of business in the United States; (C) any estate or trust which is subject to United States federal income taxation regardless of the source of its income; (D) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and if one or more United States trustees have the authority to control all substantial decisions of the trust; (E) a pension plan for the employees, officers or principals of a corporation, partnership or other entity described in (B) above; (F) any entity organised principally for passive investment, 10 per cent. or more of the beneficial interests in which are held by persons described in (A) to (E) above if such entity was formed principally for the purpose of investment by such persons in a commodity pool the operator of which is exempt from certain requirements of Part 4 of the United States Commodity Futures Trading Commission’s regulations by virtue of its participants being non-U.S. persons; or (G) any other “U.S. person” as such term may be defined in Regulation S under the United States Securities Act of 1933, as amended, or in regulations adopted under the United States Commodity Exchange Act;

- (v) include an undertaking to pay all Expenses and an irrevocable authority to the Clearing Agent or where the Securities are cleared through CREST, the Operator and the Registrar, to debit a specified account with the Clearing Agent in respect thereof or, as the case may be, to make a deduction from any amount payable; and
  - (vi) specify the Delivery Details.
- (i) Late Delivery of Notice. Any Notice to exercise the Optional Exchange Right delivered after the Exchange Time in the place of receipt on any Trading Day during the Exchange Period or on a day which is not a Trading Day will be deemed exercised on the following Trading Day during the Exchange Period. Any Notice delivered outside the Exchange Period shall be null and void. For the avoidance of doubt, no holder of Securities or any other person shall be entitled to any payment, whether of interest or otherwise, by reason of such Notice (or the copy thereof) being delivered late.
  - (j) Verification. In respect of any Notice, the relevant Holder must provide evidence to the Principal Agent, in either case reasonably satisfactory to the Principal Agent or where the Securities are cleared through CREST, the Registrar, of its holding of such Securities.
  - (k) Delivery of the Share Amount. Subject as provided in the Conditions, the delivery of the Share Amount shall be made at the risk of the relevant Holder and shall be delivered and evidenced in such manner as the Issuer determines to be customary for the Share or in such other commercially reasonable manner as the Issuer shall determine to be appropriate for such delivery. The Issuer shall be under no obligation to register or procure the registration of any Holder or any other person as the registered holder in respect of the Shares comprised in any Share Amount in the register of members of the Share Company.
  - (l) Determinations. Failure properly to complete and deliver a Notice may result in such Notice being treated as null and void. Any determination as to whether any such Notice has been properly completed and delivered shall be made by the Principal Agent, or where the Securities are cleared through CREST, the Registrar, and shall be conclusive and binding on the Issuer and the relevant Holder. Subject as set out below, any Notice so determined to be incomplete or not in proper form or, where applicable, which is not copied to the Principal Agent immediately after being delivered to a Clearing Agent or, where the Securities are cleared through CREST, which is not delivered to the Registrar as provided in the Conditions shall be void. If such Notice is subsequently corrected to the satisfaction of the Principal Agent or, where the Securities are cleared through CREST, the Registrar, it shall be deemed to be a new Notice submitted at the time such correction is delivered to such Clearing Agent and copied to the Principal Agent or, where the Securities are cleared through CREST, at such time as correction is delivered to the Registrar. The Principal Agent or, where the Securities are cleared through CREST, the Registrar shall use its best efforts

promptly to notify the Holder if it has determined that a Notice is incomplete or not in proper form. In the absence of gross negligence or wilful misconduct on its part, neither the Issuer, the Principal Agent nor, where the Securities are cleared through CREST, the Registrar shall be liable to any person with respect to any action taken or omitted to be taken by it in connection with such determination or the notification of such determination to a Holder.

- (m) **Intervening Period.** If redemption of a Security is to be by delivery of the Share Amount, for such period of time after the Maturity Date as the Issuer or any person on behalf of the Issuer shall continue to be the legal owner of the Share comprising the relevant Share Amount (the “**Intervening Period**”), neither the Issuer nor any other such person shall (i) be under any obligation to deliver or procure delivery to the relevant Holder or any subsequent beneficial owner of any document or payment whatsoever received by that person in its capacity as the holder of such Share, (ii) be under any obligation to exercise or procure exercise of any or all rights (including voting rights) attaching to such Shares during the Intervening Period or (iii) be under any liability to the relevant Holder or any subsequent beneficial owner of such Share or any other person in respect of any loss or damage which the relevant Holder or subsequent beneficial owner or any other person may sustain or suffers as a result, whether directly or indirectly, of the Issuer or any other such persons being the legal owner of such Share during such Intervening Period.
- (n) **Dividends.** Any dividend in respect of any Share Amount to be delivered will be payable to the party that would receive such dividend according to market practice for a sale of the Shares executed on the Exchange Date or Issuer Call Date, as applicable, and to be delivered in the same manner as such Share Amount. An amount equal to any such dividend to be paid to a Holder shall be paid to the account specified in the relevant Notice.
- (o) **Settlement Disruption.** If the Securities are to settle by delivery of the Share Amount and prior to the delivery of the Share Amount in respect thereof, in the opinion of the Calculation Agent, a Settlement Disruption Event is subsisting, then the delivery date for such Security shall be postponed to the first following Business Day on which no Settlement Disruption Event is subsisting. For so long as delivery of any Share Amount is not practicable by reason of a Settlement Disruption Event, then in lieu of physical settlement and notwithstanding any other provision hereof the Issuer may elect in its sole discretion to satisfy its obligations in respect of the relevant Security by payment of the Disruption Cash Settlement Price not later than on the third Business Day following the date that the notice of such election is given to the Holders in accordance with General Condition 4. The Calculation Agent shall give notice as soon as practicable to the Holders in accordance with General Condition 4 that a Settlement Disruption Event has occurred. No Holder or any other person shall be entitled to any payment (including but not limited to interest) in respect of a Security in the event of

any delay in the delivery of any Share Amount relating thereto due to the occurrence of a Settlement Disruption Event and no liability in respect thereof shall attach to the Issuer.

- (p) Settlement Risk. Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and none of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. None of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- (q) Method of Payment. Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.
- (r) Presentation and Surrender. Unless the Securities are cleared through CREST, the Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid. Where the Securities are cleared through CREST, General Condition 20 shall apply.

#### 4. ADJUSTMENTS

- (a) Market Disruption. The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred.

“**Market Disruption Event**” means:

- (1) the occurrence or existence on any Trading Day during the one hour period that ends at the official close of trading on the Exchange or any Related Exchange of any suspension of or limitation imposed on trading or the disruption or impairment in the

ability of market participants in general to effect transactions (by reason of movements in price reaching or exceeding limits permitted by the relevant exchange or otherwise):

- (A) in the Shares on the Exchange or any other exchange on which the Shares are listed; or
  - (B) in any options contracts or futures contracts or other derivatives contracts relating to the Share on any Related Exchange, if, in the determination of the Calculation Agent, such suspension or limitation is material; or
- (2) a general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located.

For the purposes of this definition, a limitation on the hours and number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the Exchange or any Related Exchange, but a limitation on trading imposed during the course of the day by reason of movements in price otherwise exceeding levels permitted by the Exchange or any Related Exchange may, if so determined by the Calculation Agent, constitute a Market Disruption Event.

(b) Potential Adjustment Events. Following a declaration by the Share Company of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Share and, if so, will:

- (1) make the corresponding adjustment, if any, to any one or more of the Conditions as the Calculation Agent determines appropriate to account for that diluting or concentrative effect; and
- (2) determine the effective date of that adjustment.

The Calculation Agent may, but need not, determine the adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an options exchange to options on the Shares traded on that options exchange. Upon making any such adjustment, the Calculation Agent shall notify the Holders in accordance with General Condition 4, stating the adjustment to be made to the Conditions and giving brief details of the Potential Adjustment Event.

**“Potential Adjustment Event”** means any of the following: (A) a subdivision, consolidation or reclassification of relevant Shares (unless a Merger Event), or, a free distribution or dividend of such Shares to existing holders by way of bonus, capitalisation, recapitalisation or similar issue; (B) a distribution or dividend to existing holders of the relevant Shares of

(aa) such Shares, or (bb) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Share Company equally or proportionately with such payments to holders of such Shares, or (cc) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other) at less than the prevailing market price as determined by the Calculation Agent; (C) an extraordinary dividend; (D) a distribution of cash dividends on the Shares equal to or greater than 8 per cent. per annum of the then current market value of the Shares; (E) a call by the Share Company in respect of relevant Shares that are not fully paid; (F) a repurchase by the Share Company of relevant Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or (G) any other similar event that may have a diluting or concentrative effect on the theoretical value of the relevant Shares.

(c) De-listing, Merger Event, Nationalisation and Insolvency. If a De-listing, Merger Event, Nationalisation or Insolvency occurs in relation to the Share Company, the Issuer in its sole and absolute discretion may take the action described in (1), (2) or (3) below:

(1) require the Calculation Agent to determine in its sole and absolute discretion the appropriate adjustment, if any, to be made to any of the other terms of these Conditions to account for the De-listing, Merger Event, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The Calculation Agent may (but is under no obligation to) determine the appropriate adjustment by reference to the adjustment in respect of the De-listing, Merger Event, Nationalisation or Insolvency made by any Related Exchange to options contracts or futures contracts or other derivatives contracts on the Shares traded on such Related Exchange; or

(2) cancel the Securities by giving notice to Holders in accordance with General Condition 4. If the Securities are to be cancelled the Issuer will pay an amount to each Holder in respect of each Security held by him which amount shall be the fair market value of a Security (taking into account the De-listing, Merger Event, Nationalisation or Insolvency (as the case may be)) on the day selected for cancellation as shall be selected by the Issuer in its sole and absolute discretion adjusted to account fully for any losses, expenses and costs to the Issuer and/or any affiliate of the Issuer of unwinding or adjusting any underlying or related hedging arrangements (including but not limited to any equity options or selling or otherwise realising any Shares or other instruments of any type whatsoever which the Issuer and/or any of its affiliates may hold as part of such hedging arrangements), all as determined by the Calculation Agent in its sole and absolute discretion. Payment will

be made in such manner as shall be notified to the Holders in accordance with General Condition 4; or

- (3) following any adjustment to the settlement of terms of options contracts or futures contracts or any other derivatives contracts on the Shares traded on any Related Exchange, require the Calculation Agent to make a corresponding adjustment to any of the other terms of these Conditions, which adjustment will be effective as of the date determined by the Calculation Agent to be the effective date of the corresponding adjustment made by the Related Exchange. If options contracts or futures contracts or other derivatives contracts on the Shares are not traded on the Related Exchange, the Calculation Agent will make such adjustment, if any, to any of the other terms of these Conditions as the Calculation Agent in its sole and absolute discretion determines appropriate, with reference to the rules and precedents (if any) set by the Related Exchange to account for the De-listing, Merger Event, Nationalisation or Insolvency (as the case may be) that in the determination of the Calculation Agent would have given rise to an adjustment by the Related Exchange if such options contracts or futures contracts or other derivatives contracts were so traded.

Upon the occurrence of a De-listing, Merger Event, Nationalisation or Insolvency, the Calculation Agent shall notify the Holders in accordance with General Condition 4, stating the occurrence of such De-listing, Merger Event, Nationalisation or Insolvency (as the case may be) and action proposed to be taken in relation thereto.

“**De-listing**” means a Share for any reason ceases to be listed or is suspended from listing on the Exchange (and such cessation or suspension is continuing and such Share is not subsequently listed or quoted on another stock exchange or quotation system acceptable to the Issuer).

“**Merger Date**” means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent.

“**Merger Event**” means any (1) reclassification or change to the Shares that results in a transfer of or an irrevocable commitment to transfer all or a majority of the outstanding Shares; (2) consolidation, amalgamation, merger or binding share exchange of a Share Company with or into another entity (other than a consolidation, amalgamation, merger or binding share exchange in which such Share Company is the continuing entity and which does not result in any such reclassification or change to all the outstanding Shares); or (3) take-over offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Shares that

results in a transfer of, or an irrevocable commitment to transfer a majority of the voting power of the Share Company to the offeror, in each case if the Merger Date is on or before the Valuation Date.

“**Nationalisation**” means that all the Shares of a Share Company or all the assets or substantially all the assets of a Share Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority or entity.

“**Insolvency**” means that by reason of the voluntary or involuntary liquidation, bankruptcy or insolvency of or any analogous proceeding affecting a Share Company, (1) all the Shares are required to be transferred to a receiver, trustee, liquidator or other similar official or (2) holders of the Shares of that Share Company become legally prohibited from transferring them.

- (d) The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determinations. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

## 5. EFFECT OF FINAL TERMS

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

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**CONDITIONS: PRODUCT CONDITIONS**  
**RELATING TO INDEX EXCHANGEABLE NOTES**

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*The Product Conditions which follow relate to the Securities and must be read in conjunction with, and are subject to, the applicable Final Terms and the General Conditions (whether or not attached to this document). The applicable Final Terms, the Product Conditions and the General Conditions together constitute the Conditions of the Securities and will be printed on any Definitive Securities and attached to any Global Security representing the Securities.*

1. DEFINITIONS

“**Agent**” means each of the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and together, the “**Agents**”, which expression shall include any other Agent appointed pursuant to the provisions of General Condition 12;

“**Business Day**” means, unless otherwise specified in the applicable Final Terms, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business;

“**Cash Amount**” means an amount determined by the Calculation Agent in accordance with the formula specified in the definition of Cash Amount for the relevant Series in the applicable Final Terms less Expenses. The Cash Amount payable to a Holder shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

“**Clearing Agent**” means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a “**Clearing Agent**” and together the “**Clearing Agents**”);

“**Commodity Index**” means the commodity index (if any) specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Conversion Amount**” means an amount determined by the Calculation Agent in accordance with the formula specified in the definition of Conversion Amount for the relevant Series in the applicable Final Terms less Expenses. The Conversion Amount payable to a Holder shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

“**Conversion Level**” means the number specified as such in the definition of the relevant Series in the applicable Final Terms, subject to adjustment in accordance with Product Condition 4;

“**Conversion Time**” means the time specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Coupon**” means an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount;

“**Early Termination Date**” means the date specified as such in the definition of the relevant Series in the applicable Final Terms or, if such day is not a Trading Day, means the first succeeding day which is a Trading Day unless, in the determination of the Calculation Agent, a Market Disruption Event has occurred on that day, in which case the Early Termination Date shall be the first succeeding Trading Day on which the Calculation Agent determines that there is no Market Disruption Event unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Early Termination Date. In that case (i) the last day of the Relevant Number of Trading Days shall be deemed to be the Early Termination Date (regardless of the Market Disruption Event); and (ii) the Calculation Agent shall determine the Final Index Level having regard to the then prevailing market conditions, the last reported trading price of the Shares and such other factors as the Calculation Agent determines to be relevant;

“**Emerging Market Disruption Event**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

- (i) **Moratorium.** A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or
- (ii) **Price Source Disruption.** It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or
- (iii) **Governmental Default.** With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (A) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (B) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (C) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any

lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or

(iv) Inconvertibility/non-transferability. The occurrence of any event which (A) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (B) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or

(v) Nationalisation. Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or

(vi) Illiquidity. It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or

(vii) Change in Law. A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or

(viii) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or

(ix) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency, or where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or

(x) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities;

“**Exchange**” means (i) in respect of an Index which is not a Commodity Index each exchange or quotation system from which the Index Sponsor takes the prices of the shares or other securities that comprise the Index (the “Shares”) to compute the Index, or any successor to such exchange or quotation system or (ii) in respect of a Commodity Index, the exchange or quotation system or any substitute exchange or quotation system in which trading of the futures or options contracts in the Index or its components principally occurs or the exchange or quotation system where trading has a material effect on the overall market for futures or options contracts relating to the Index or its components, in each case as determined by the Issuer, acting in good faith; “**Exchange Period**” means the period specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Exchange Rate**” means the rate of exchange between the Underlying Currency and the Settlement Currency as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time;

“**Expenses**” means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security;

“**Final Index Level**” means a number equal to the level of the Index at the Valuation Time on the earlier of (i) Early Termination Date; or (ii) if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the Issuer Call Date, as determined by or on behalf of the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such price can be determined and no Market Disruption Event has occurred and is continuing) an amount determined by the Calculation Agent as its good faith estimate of the level of the Index on such date having regard to the then prevailing market conditions, the last reported trading price(s) of (a) the Shares (in respect of an Index which is not a Commodity Index) or (b) the components of the Index on the Exchange (in respect of a Commodity Index) and such other factors as the Calculation Agent determines relevant;

“**Final Termination Date**” means the day specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Final Terms**” means the document containing the specific terms relating to the Securities;

“**Governmental Authority**” is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate;

“**Holder**” has the meaning set out in Product Condition 2;

“**Holder Early Termination**” means, notwithstanding the provisions of General Condition 3, the termination of the Securities, in whole or in part, by the Holder in accordance with Product Condition 3;

“**Holder Early Termination Notice Date**” means the date specified as such in the Notice delivered by the Holder in accordance with Product Condition 3;

“**Index**” means the index or Commodity Index specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Index Sponsor**” means the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the method of calculation and adjustment, if any, related to the relevant Index and (b) announces (directly or through an agent) the level of the relevant Index on a regular basis during each

Trading Day and references to Index Sponsor shall include any successor index sponsor pursuant to Product Condition 4;

“**Interest Amount**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount, an amount calculated by the Calculation Agent as follows:

$$\text{Nominal Amount} \times \text{Interest Rate} \times \text{Interest Rate Day Count Fraction};$$

“**Interest Payment Dates**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Interest Period**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date. In respect of each Security, the Interest Period during which a Notice is delivered and each subsequent Interest Period shall be disregarded for this purpose;

“**Interest Rate**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the rate per annum specified as such, or determined in accordance with the formula specified, in the definition of the relevant Series in the applicable Final Terms;

“**Interest Rate Day Count Fraction**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms;

“**Issue Date**” means the date specified as such in the applicable Final Terms;

“**Issuer**” means The Royal Bank of Scotland Group plc incorporated in Scotland with its statutory seat in Edinburgh;

“**Issuer Call**” means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the termination of the Securities by the Issuer in accordance with Product Condition 3(d);

“**Issuer Call Cash Amount**” means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the amount specified, or determined by the Calculation Agent in accordance with the formula specified, in the definition of Issuer Call Cash Amount for the relevant Series in the applicable Final Terms, less Expenses. The Issuer Call Cash Amount payable to a Holder shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

**“Issuer Call Commencement Date”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the date specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Issuer Call Date”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each date specified as such in the definition of the relevant Series in the applicable Final Terms or, if no such date is specified, in the notice delivered in accordance with Product Condition 3(d) and, if any such day is not a Trading Day, means the first succeeding Trading Day unless, in the determination of the Calculation Agent, a Market Disruption Event has occurred on that day in which case the Issuer Call Date shall be the first succeeding Trading Day on which the Calculation Agent determines that there is no Market Disruption Event, unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Issuer Call Date. In that case (a) the last day of the Relevant Number of Trading Days shall be deemed to be the Issuer Call Date (regardless of the Market Disruption Event) and (b) the Calculation Agent shall determine the Final Index Level having regard to the then prevailing market conditions, the last reported trading price(s) of (a) the Shares (in respect of an Index which is not a Commodity Index) or (b) the components of the Index on the Exchange (in respect of a Commodity Index) and such other factors as the Calculation Agent determines to be relevant;

**“Issuer Call Notice Period”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the period specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Market Disruption Event”** means each event specified as such in Product Condition 4, any Additional Market Disruption Events specified in the definition of the relevant Series in the applicable Final Terms and any Emerging Market Disruption Event;

**“Maturity Date”** means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Nominal Amount”** means the amount specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Optional Exchange Right Notice Period”** means the period specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Payment Day”** means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign exchange currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross-settlement Express Transfer (TARGET 2) System is open;

“**Pricing Date**” means the date (if any) specified as such in the applicable Final Terms, subject to adjustment by the Issuer in adverse market conditions if, in the opinion of the Issuer, circumstances so require;

“**Related Exchange**” means an options or futures exchange or quotation system on which options contracts or futures contracts or other derivatives contracts on the Index are traded;

“**Relevant Currency**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying, is located provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt (“**ADR**”) or Global Depositary Receipt (“**GDR**”), the constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition;

“**Relevant Currency Exchange Rate**” means, each rate of exchange between the Relevant Currency and the Settlement Currency, or where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time;

“**Relevant Number of Trading Days**” means the number of Trading Days, if any, specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Securities**” means each Series of the index exchangeable securities specified in the applicable Final Terms and each such note a “**Security**”. References to the terms “**Securities**” and “**Security**” shall be construed severally with respect to each Series specified in the applicable Final Terms;

“**Series**” means each series of Securities set out specified in the applicable Final Terms;

“**Settlement Currency**” means the currency specified as such in the definition of the relevant Series specified in the applicable Final Terms;

“**Settlement Date**” means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Standard Currency**” means unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time;

“**Trading Day**” means any day on which the Index Sponsor should calculate and publish the closing level of the Index according to its rules;

“**Underlying Currency**” means the currency specified as such in the definition of the relevant Series in the applicable Final Terms; and

“**Valuation Time**” means (i) in respect of the AEX-index, the time with reference to which the Index Sponsor calculates the exchange delivery settlement price (the average of the prices of the AEX-index calculated at one minute intervals between 15.30 and 16.00 Amsterdam time) or (ii) in respect of any other Index, the time with reference to which the Index Sponsor calculates the closing level of the Index or in relation to (i) and (ii) at such other time as the Issuer may select in its absolute discretion and notify to Holders in accordance with General Condition 4. Terms in capitals which are not defined in these Product Conditions shall have the meanings ascribed to them in the General Conditions.

## 2. FORM

- (a) Global Form. Except in the case of Securities issued in the form described in either Product Condition 2(b) or 2(c), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the “**Global Security**”) which will be deposited with a Clearing Agent or the depositary for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term “**Holder**” shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested as regards the Issuer and the Agents, solely in the bearer of the Global Security.
- (b) Dematerialised Form. Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time to time (the “**Rules**”). Accordingly, in these Conditions, the term “**Holder**” means a person in whose name a Security is registered in the book-entry settlement system of the

Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

If CREST is specified as the Clearing Agent in the relevant Final Terms, the Securities will be cleared through CREST. Such Securities will be registered securities in dematerialised and uncertificated form, and will be (i) participating securities and (ii) uncertificated securities in accordance with the Uncertificated Securities Regulations 2001 (SI. No. 3755) as amended, supplemented or replaced from time to time (the “**Regulations**”).

Securities cleared through CREST may be transferred in accordance with the Regulations and the rules, procedures and practices of the relevant Operator (as defined below). No transfer of such Securities will be valid unless and until entered on the relevant Operator register of corporate securities (as defined in and in accordance with, the Regulations).

In the case of Securities cleared through CREST, title to the Securities is recorded on the relevant Operator register of corporate securities (as defined in the Regulations). The Registrar on behalf of the Issuer will maintain a register of such Securities recorded on the relevant Operator register of corporate securities (the “**Register**”) and shall procure that the Register is regularly updated to reflect the Operator register of corporate securities in accordance with the rules and practices from time to time of the Operator and the Regulations. Subject to this requirement, (i) each person who is for the time being shown in the Register as the holder of such Securities shall be treated by the Issuer and the Registrar as the holder of such Securities for all purposes and (ii) neither the Issuer nor the Registrar shall be liable in respect of any act or thing done or omitted to be done by it or on its behalf in reliance upon the assumption that the particulars entered in the Register which the Registrar maintains are in accordance with particulars entered in the Operator register of corporate securities relating to such Securities (and the expression “**Holder**” and related expressions shall be construed accordingly).

Any reference to the “**Operator**” (as such term is used in the Regulations) shall be to CREST and shall, whenever the context so permits, be deemed to include a reference to any such additional or alternative Operator approved by the Issuer from time to time in accordance with the Regulations and notified to the relevant Holders in accordance with General Condition 4.

Any indication herein that the Operator “shall do”, or similar expression or phrase indicating that they are obliged to or will carry out any role or obligation described in the Conditions and/or the applicable Final Terms, as the case may be, is given without any assumption by the Issuer, the relevant Registrar or the Calculation Agent of responsibility or liability for the performance of the Operator.<sup>3</sup> RIGHTS AND PROCEDURES

- (a) Redemption on the Settlement Date. Unless previously exchanged, redeemed or purchased and cancelled and subject as provided by the Conditions and in the case of an Issuer Call (if applicable), each Security will be redeemed in respect of each Nominal Amount at:
  - (i) the Conversion Amount in the event of there being a Holder Early Termination;
  - (ii) if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the Issuer Call Cash Amount in the event of there being an Issuer Call; or
  - (iii) otherwise the Cash Amount,such redemption to occur, subject as provided below, on the Settlement Date.
- (b) Interest Amount. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction and is payable on each Interest Payment Date. In respect of each Security, in the event that a Notice is delivered by the relevant Holder during an Interest Period then, in respect of that Interest Period and each subsequent Interest Period to the Maturity Date, no further Interest Amount shall be paid.
- (c) Interest Accrual. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest (A) from and including the due date for redemption or (B) if a Notice is delivered, from and including the last day of the immediately preceding Interest Period. No interest shall accrue after the Maturity Date or any earlier date, as the case may be, in the event that payment of any amount is postponed due to the occurrence of a Market Disruption Event. Further, no Interest Amount will be paid in respect of the Interest Period in which the Early Termination Date or, if applicable, the Issuer Call Date falls.
- (d) Issuer Call. If “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the Issuer may terminate the Securities, in whole or in part, on any Business Day by giving Holders at least the Issuer Call Notice Period notice of its intention to terminate the Securities, such notice to be given at any time from (and including) the Issuer Call Commencement Date. Any such notice shall be given in accordance with the provisions of General Condition 4 and shall specify the Issuer Call Date.

- (e) Holder Early Termination. Subject to an Issuer Call (if applicable) and pursuant to Condition 3(h), the Holder may terminate the Securities held by it in whole or in part at any time on any Trading Day during the Exchange Period by giving at least the Optional Exchange Right Notice Period notice and delivery of a valid Notice by the Conversion Time in accordance with Product Condition 3(h) at the specified office of any Agent. Upon any such Holder Early Termination, the right of the Holder to receive the Cash Amount and any Interest Amount not yet paid shall be extinguished and the Issuer shall, except as otherwise provided in these Conditions, deliver the Conversion Amount on the Settlement Date.
- (f) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (a) if “Modified Following” is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (b) if “Following” is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.
- (g) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount, the Conversion Amount, the Issuer Call Cash Amount or any Interest Amount.
- (h) Notice. Pursuant to Product Condition 3(e), to effect a Holder Early Termination, the relevant Holder must deliver to the Clearing Agent with a copy to the Principal Agent, a notice in the form obtainable from the Agents (the “**Notice**”). No Notice may be withdrawn after receipt of it by a Clearing Agent or the Principal Agent. After delivery of a Notice, Securities which are the subject of such Notice may not be transferred.

The Notice shall:

- (i) be dated and shall specify the aggregate Nominal Amount of the Securities which are the subject of such Notice;
- (ii) specify the number of the account with the Clearing Agent to be debited with such Securities and instruct the Clearing Agent to debit such account on such date;
- (iii) specify the number of the account with the Clearing Agent to be credited with the Conversion Amount of such Securities;
- (iv) certify that neither the person delivering the Notice nor any person on whose behalf the Notice is being delivered is a U.S. person or a person within the United States.

As used herein, “**U.S. person**” means (A) an individual who is a resident or a citizen of the United States; (B) a corporation, partnership or other entity organised in or under the laws of the United States or any political subdivision thereof or which has its principal place of business in the United States; (C) any estate or trust which is subject to United States federal income taxation regardless of the source of its income; (D) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and if one or more United States trustees have the authority to control all substantial decisions of the trust; (E) a pension plan for the employees, officers or principals of a corporation, partnership or other entity described in (B) above; (F) any entity organised principally for passive investment, 10 per cent. or more of the beneficial interests in which are held by persons described in (A) to (E) above if such entity was formed principally for the purpose of investment by such persons in a commodity pool the operator of which is exempt from certain requirements of Part 4 of the United States Commodity Futures Trading Commission’s regulations by virtue of its participants being non-U.S. persons; or (G) any other “U.S. person” as such term may be defined in Regulation S under the United States Securities Act of 1933, as amended, or in regulations adopted under the United States Commodity Exchange Act; and

- (v) include an undertaking to pay all Expenses and irrevocable authority to the Clearing Agent to debit a specified account with the Clearing Agent in respect thereof or, as the case may be, to make a deduction from any amount payable.
- (i) **Late Delivery of Notice.** Any Notice to effect a Holder Early Termination delivered after the Conversion Time in the place of receipt on any Trading Day during the Exchange Period or on a day which is not a Trading Day will be deemed exercised on the following Trading Day during the Exchange Period. Any Notice delivered outside the Exchange Period shall be null and void. For the avoidance of doubt, no holder of Securities for any other period shall be entitled to any payment, whether of interest or otherwise, by reason of such Notice (or the copy thereof) being delivered late.
- (j) **Verification.** In respect of any Notice, the relevant Holder must provide evidence to the Principal Agent, in either case reasonably satisfactory to the Principal Agent of its holding of such Securities.
- (k) **Determinations.** Failure properly to complete and deliver a Notice may result in such Notice being treated as null and void. Any determination as to whether any such Notice has been properly completed and delivered shall be made by the Principal Agent and shall be conclusive and binding on the Issuer and the relevant Holder. Subject as set out below, any Notice so determined to be incomplete or not in proper form or, where applicable, which is

not copied to the Principal Agent immediately after being delivered to a Clearing Agent as provided in the Conditions shall be void. If such Notice is subsequently corrected to the satisfaction of the Principal Agent it shall be deemed to be a new Notice submitted at the time such correction is delivered to such Clearing Agent and copied to the Principal Agent. The Principal Agent shall use its best efforts promptly to notify the Holder if it has determined that a Notice is incomplete or not in proper form. In the absence of gross negligence or wilful misconduct on its part, neither the Issuer nor the Principal Agent shall be liable to any person with respect to any action taken or omitted to be taken by it in connection with such determination or the notification of such determination to a Holder.

- (l) **Settlement Risk.** Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and none of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. None of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- (m) **Method of Payment.** Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.
- (n) **Presentation and Surrender.** Unless the Securities are cleared through CREST, the Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid. Where the Securities are cleared through CREST, General Condition 20 shall apply.

4. ADJUSTMENTS

- (a) **Market Disruption.** The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred.

In respect of an Index which is not a Commodity Index “**Market Disruption Event**” means (i) a general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or (ii) the occurrence or existence on any Trading Day during the one hour period that ends at the official close of trading on any Exchange or any Related Exchange of any suspension of or limitation imposed on trading or the disruption or impairment in the ability of market participants in general to effect transactions (by reason of movements in price reaching or exceeding limits permitted by the relevant exchange or otherwise):

- (A) on any Exchange(s) in securities that comprise 20 per cent or more of the level of the relevant Index if, in the determination of the Calculation Agent, such suspension or limitation is material. For the purpose of determining whether such suspension or limitation is material, if trading in a security included in the Index is suspended or materially limited at that time, then the relevant percentage contribution of that security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that security relative to (y) the overall level of the Index, in each case immediately before that suspension or limitation; or
- (B) on any Related Exchange in any options contracts or futures contracts or other derivatives contracts relating to the relevant Index. In any event, a limitation on the hours and number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the relevant exchange, but a limitation on trading imposed during the course of the day by reason of movements in price otherwise exceeding levels permitted by the relevant exchange may, if so determined by the Calculation Agent, constitute a Market Disruption Event.

In respect of a Commodity Index, “**Market Disruption Event**” means, in relation to the Commodity Index or its components:

- (i) **Price Source Disruption.** The failure by the Exchange to announce or publish the price of the Commodity Index or any of its components (or the information necessary for determining such price(s)) or the temporary or permanent discontinuance or unavailability of such price(s) by the Exchange; or
- (ii) **Trading Suspension.** The material suspension of trading on the Exchange; or

- (iii) **Disappearance of Price.** The permanent discontinuation of trading in the Commodity Index or any of its components on the Exchange, disappearance of, or of trading in, the Commodity Index or any of its components or the disappearance or permanent discontinuance or unavailability of a reference price, notwithstanding the availability of the related price source or the status of trading in the Commodity Index or any of its components;
- (iv) **Material Change in Formula.** The occurrence, since the Issue Date, of a material change in the basis for (including but not limited to the quantity, quality or currency), or method of, calculating the price of a component of the Commodity Index; or
- (v) **Material Change in Content.** The occurrence, since the Issue Date, of a material change in the content or composition of a Commodity Index or any of its components; or
- (vi) **De Minimis Trading.** The number of contracts traded on the Exchange with respect to a Commodity Index or any of its components is such that the Issuer declares that its ability to enter into hedging transactions with respect to the Commodity Index or any of its components has been impaired due to a lack of, or a material reduction in, trading in the Commodity Index or any of its components on the Exchange; or
- (vii) **Tax Disruption.** The imposition of, change in, or removal of, an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measured by reference to, a Commodity Index or any of its components (other than a tax on, or measured by reference to, overall gross or net income) by any government or taxation authority after the Issue Date, if the direct effect of such imposition, change or removal is to raise or lower the price of the Commodity Index or any of its components on the Valuation Date, Issuer Call Date or the Early Termination Date, as the case may be, and/or on each of the three Trading Days following the Valuation Date, Issuer Call Date or the Early Termination Date, as the case may be, from what it would have been without that imposition, change or removal; or
- (viii) **Trading Limitation.** The material limitation imposed on trading in a Commodity Index or any of its components on any exchange or principal trading market; or
- (ix) **Moratorium.** A general moratorium is declared in respect of banking activities in the country in which the Exchange is located; or
- (x) **Other Events.** Any other event similar to any of the above which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities.

- (b) Adjustments to Index. The Calculation Agent shall give notice as soon as practicable to the Holders in accordance with General Condition 4 of any determination made by it pursuant to paragraphs (1), (2), (3) or (4) below:
- (1) If the Index is (A) not calculated and announced by the Index Sponsor but is calculated and published by a successor to the Index Sponsor (the “**Successor Sponsor**”) acceptable to the Calculation Agent; or (B) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then (in either case) the Index will be deemed to be the index so calculated and announced by such Successor Sponsor or that successor index, as the case may be.
  - (2) If (A) on or prior to the Early Termination Date or Issuer Call Date, as the case may be, the Index Sponsor or, if applicable, the Successor Sponsor makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent securities or components, as the case may be, and other routine events); or (B) on or prior to the Early Termination Date or Issuer Call Date, as the case may be, the Index Sponsor or, if applicable, the Successor Sponsor fails to calculate and/or publish the Index, then (in either case) the Calculation Agent shall determine the Final Index Level using, in lieu of a published level for the Index on the Early Termination Date or the Issuer Call Date, as the case may be, the level for the Index as determined by the Calculation Agent in accordance with the formula for and method of calculating the Index last in effect prior to the change or failure, but using only those (a) in respect of an Index which is not a Commodity Index, securities that comprised the Index immediately prior to the change or failure (other than those securities that have since ceased to be listed on the Exchange or any other exchange on which the Shares are listed); or (b) in respect of a Commodity Index, commodity components that comprised the Index immediately prior to the change or failure (other than those components that have since ceased to be traded on the Exchange or any other exchange) or, in the case of a material modification of the Index only, shall deem such modified Index to be the Index so calculated and announced or shall (if so required by the Issuer), by giving notice in accordance with General Condition 4, terminate the Securities and pay to each Holder in respect of each Security held by such Holder an amount equal to the fair market value of the Security immediately prior to such material modification of the Index less the cost to the Issuer of unwinding any related hedging arrangements (as determined by the Issuer).

- (3) If, at any time, any of the events specified in (A) to (H) below occurs and the Index Sponsor or, if applicable, the Successor Sponsor has not in the opinion of the Calculation Agent made an appropriate adjustment to the level of the Index (which term excludes, for these purposes of this paragraph (3), any Commodity Index) in order to account fully for such event, notwithstanding that the rules published or applied by the Index Sponsor or, if applicable, the Successor Sponsor pertaining to the Index have been applied, the Calculation Agent shall make such adjustment to the level of the Index as it considers appropriate in order so to account for: (A) a distribution or dividend to existing holders of the Shares of (i) Shares; or (ii) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the issuer of the Shares equally or proportionately with such payments to holders of Shares or (iii) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price; (B) a free distribution or dividend of any Shares to existing holders of the Shares by way of bonus, capitalisation or similar issue; (C) an extraordinary dividend; (D) any cash dividends declared on the Shares at a time when the relevant issuer of the Shares has not previously declared or paid dividends on such Shares for the prior four quarterly periods; (E) any non-cash dividends declared on the Shares at a time when the relevant issuer of the Shares has not previously declared or paid dividends on such Shares for the prior four quarterly periods; (F) any other extraordinary cash or non-cash dividend on, or distribution with respect to, the Shares which is, by its terms or declared intent, declared and paid outside the normal operations or normal dividend procedures of the relevant issuer of the Shares, provided that, in all cases, the related ex-dividend date occurs during the period from but including the Issue Date up to and excluding the Valuation Date; (G) a distribution of cash dividends on the Shares equal to or greater than 8 per cent. per annum of the then current market value of the Shares; and (H) any other similar event having dilutive or concentrative effect on the theoretical value of the Shares.
- (4) The Issuer reserves the right to issue further Securities, make adjustments or to distribute to the Holders any rights in connection with the Securities as it reasonably believes are appropriate in circumstances where an event or events occur which the Issuer (in its absolute discretion and notwithstanding any adjustments previously made to the Securities) believes should, in the context of the issue of Securities and its obligations hereunder, give rise to such adjustment or distribution, provided that such adjustment is considered by the Calculation Agent either to be appropriate generally (without considering the individual circumstances of any Holder or the tax or other consequences of such adjustment in any particular jurisdiction) or to be

required to take account of provisions of the laws of the relevant jurisdiction or the practices of the Exchange. The Issuer, in any event, reserves the right to in its absolute discretion terminate Securities linked to any Proprietary Index by giving notice in accordance with General Condition 4, in the event that the relevant Index Sponsor terminates, cancels or suspends, as the case may be, any such Proprietary Index.

- (c) The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determinations. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

#### 5. EFFECT OF FINAL TERMS

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

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**CONDITIONS: PRODUCT CONDITIONS**  
**RELATING TO MULTI-ASSET BASKET LINKED NOTES**

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*The Product Conditions which follow relate to the Securities and must be read in conjunction with, and are subject to, the applicable Final Terms and the General Conditions (whether or not attached to this document). The applicable Final Terms, the Product Conditions and the General Conditions together constitute the Conditions of the Securities and will be printed on any Definitive Securities and attached to any Global Security representing the Securities.*

1. DEFINITIONS

“**Additional Disruption Events**” means those events specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Additional Fund Events**” means those events specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Agent**” means the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and together, the “**Agents**”, which expression shall include any other Agent appointed pursuant to the provisions of General Condition 12;

“**Basket**” means, unless for the relevant Series “Basket” is specified in the applicable Final Terms as being “Not Applicable”, the basket specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Best Performing Reference Asset**” means, unless specified otherwise in the applicable Final Terms, on each anniversary of the Issue Date, the Reference Asset that performed the best compared to the other Reference Asset in the Basket according to the formula as specified in the Final Terms;

“**Business Day**” means, unless specified otherwise in the applicable Final Terms, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business;

“**Cash Amount**” means an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

“**Clearing Agent**” means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the

Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a “**Clearing Agent**” and together the “**Clearing Agents**”);

“**Commodity Index**” means the commodity index (if any) specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Coupon**” means, if the Securities are interest bearing, an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount;

“**Disruption Event**” means each event specified as such in Product Condition 4 and any Emerging Market Disruption Event;

“**Emerging Market Disruption Event**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

- (i) **Moratorium.** A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or
- (ii) **Price Source Disruption.** It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or
- (iii) **Governmental Default.** With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (A) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (B) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (C) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or
- (iv) **Inconvertibility/non-transferability.** The occurrence of any event which (A) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (B) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or

- (v) Nationalisation. Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or
- (vi) Illiquidity. It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or
- (vii) Change in Law. A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or
- (viii) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or
- (ix) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency, or where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or
- (x) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities;

“**Exchange**” means, (i) in respect of each Fund that is an exchange traded fund, each exchange or quotation system specified as such in the definition of Basket or specified as such in the definition of the relevant Series in the applicable Final Terms or any successor to that exchange or quotation system; (ii) in respect of each Index which is not a Commodity Index, each exchange or quotation system from which the Index Sponsor takes the prices of the shares or other securities that comprise the Index (the “**Shares**”) to compute the Index or any successor to that exchange or quotation system; or (iii) in respect of each Commodity Index, the exchange or quotation system or any substitute exchange or quotation system in which trading of the futures or options contracts in the Index or its components principally occurs or the exchange or quotation system where trading has a material effect on the overall market for futures or options contracts relating to the Index or its components, in each case as determined by the Issuer, acting in good faith;

“**Expenses**” means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security;

“**Final Reference Value**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, an amount equal to the NAV of each Reference Asset as quoted by the fund manager of the Reference Asset or, where such Fund is an exchange traded fund, the trading price of the Fund Reference Asset quoted on the Exchange, in each case for each Valuation Date or the Issuer Call Date, as the

case may be, as determined by or on behalf of the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such price or NAV can be determined and no Disruption Event or Fund Event has occurred and is continuing) an amount determined by the Calculation Agent as its good faith estimate of the NAV of the Reference Asset or, where such Fund is an exchange traded fund, the trading price of the Fund Reference Asset on the Exchange, in each case for such date having regard to the then prevailing market conditions, the last reported NAV or price of the Reference Asset or, where such Fund is an exchange traded fund, the last reported trading price of the Fund Reference Asset on the Exchange and such other factors as the Calculation Agent determines relevant;

“**Final Terms**” means the document containing the specific terms relating to the Securities;

“**Fund**” means each fund (including exchange traded funds) specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Fund Administrator**” means, in respect of the Fund, the fund administrator, manager, trustee or similar person with the primary administrative responsibilities for such Fund according to the Fund Documents;

“**Fund Adviser**” means, in respect of any Fund, any person appointed in the role of discretionary investment manager or non-discretionary investment adviser (including a non-discretionary investment adviser to a discretionary investment manager or to another non-discretionary investment adviser) for such Fund;

“**Fund Documents**” means, with respect to any Fund or Fund Reference Asset, the constitutive and governing documents, subscription agreements and other agreements of the related Fund or Fund Reference Asset specifying the terms and conditions relating to such Fund or Fund Reference Asset and which shall include any Hedging Agreement, each as amended from time to time;

“**Fund Event**” means each event specified as such in Product Condition 4(d), any Potential Fund Event and any Additional Fund Event specified in the definition of the relevant Series in the applicable Final Terms;

“**Fund Prospectus**” means the disclosure document howsoever described prepared in connection with the marketing of the Fund and, in relation to any Replacement Fund, means the disclosure document howsoever described prepared in connection with the marketing of the Replacement Fund and that, as at the Inclusion Date, was the most recent version thereof, each as amended from time to time;

“**Fund Reference Asset**” means the relevant interests in each Fund or if the Fund is an exchange traded fund the relevant interests specified as "Fund Reference Assets" in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Fund Service Provider**” means, in respect of any Fund, any person who is appointed to provide services, directly or indirectly, for that Fund, whether or not specified in the Fund Documents or the Fund Prospectus, including but not limited to any Fund Adviser, Fund Administrator, operator, management company, depository, custodian, sub-custodian, prime broker, trustee, registrar and transfer agent or domiciliary agent;

“**Governmental Authority**” is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate;

“**Hedging Agreement**” means any agreement, whether by way of side letter or otherwise, in respect of any hedging arrangement entered into between: (a) the Issuer, any of its affiliates or any Hedge Provider; and (b) the Fund, the Fund Adviser, any other Fund Service Provider or the directors of the Fund;

“**Inclusion Date**” means (i) in respect of the Fund, the Issue Date and (ii) in respect of any Replacement Fund, means the Substitution Date of that Fund;

“**Index**” means each index or Commodity Index specified as such in the definition of the Basket in the applicable Final Terms, subject to Product Condition 4;

“**Index Sponsor**” means, in relation to each Index, the sponsor specified as such in the definition of the Basket in the applicable Final Terms and shall include any successor index sponsor pursuant to Product Condition 4;

“**Initial Reference Value**” means the level specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Initial Reference Values**” means the level specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Interest Amount**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount, an amount calculated by the Calculation Agent as follows:

Nominal Amount x Interest Rate x Interest Rate Day Count Fraction;

“**Interest Payment Dates**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Interest Period**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date or the Issuer Call Date, as the case may be, and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date or the Issuer Call Date, as the case may be;

“**Interest Rate**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, the rate specified as such, or determined in accordance with the formula specified, in the definition of the relevant Series in the applicable Final Terms;

**“Interest Rate Day Count Fraction”** means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms;

**“Issue Date”** means the date specified as such in the applicable Final Terms;

**“Issuer”** means The Royal Bank of Scotland Group plc incorporated in Scotland with its statutory seat in Edinburgh;

**“Issuer Call”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the termination of the Securities by the Issuer in accordance with Product Condition 3(b);

**“Issuer Call Cash Amount”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the amount specified, or determined by the Calculation Agent in accordance with the formula specified, in the definition of Issuer Call Cash Amount for the relevant Series in the applicable Final Terms, less Expenses. The Issuer Call Cash Amount payable to a Holder shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

**“Issuer Call Commencement Date”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the date specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Issuer Call Date”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each date specified as such in the definition of the relevant Series in the applicable Final Terms or, if no such date is specified, the date specified as such in the notice delivered by the Issuer in accordance with Product Condition 3 and, if such day is not a Trading Day, means the first succeeding Trading Day unless, in the determination of the Issuer or the Calculation Agent on its behalf either:

- (i) a Disruption Event has occurred on that day with respect to any Reference Asset in which case the Issuer Call Date shall be the first succeeding Trading Day on which the Issuer or the Calculation Agent on its behalf determines that there is no Disruption Event, unless the Issuer or the Calculation Agent on its behalf determines that there is a Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Disruption Event) would have been the Issuer Call Date. In that case (a) the last day of the Relevant Number of Trading Days shall be deemed to be the Issuer Call Date (regardless of the Disruption Event); and (b) the Issuer or the Calculation Agent on its behalf shall determine the Issuer Call Cash Amount having regard to the then prevailing market conditions, the last reported trading price of the Reference Asset and such other factors as the Issuer or the Calculation Agent on its behalf deems relevant; or

- (ii) a Fund Event has occurred on any such day, in which case the provisions of Product Condition 4(e) shall apply and the Issuer Call Date shall be adjusted accordingly;

“**Issuer Call Notice Period**” means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the period specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Maturity Date**” means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Merger Event**” means, in respect of any relevant shares, units or interests issued by a Relevant Party, any (i) reclassification or change of such shares, units or interests that results in a transfer of or an irrevocable commitment to transfer all of such shares, units or interests outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of such Relevant Party with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Relevant Party is the continuing entity and which does not result in a reclassification or change of all of such shares, units or interests outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding shares, units or interests of such Relevant Party that results in a transfer of or an irrevocable commitment to transfer all such shares, units or interests (other than such shares, units or interests owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Relevant Party or its subsidiaries with or into another entity in which the Relevant Party is the continuing entity and which does not result in a reclassification or change of all such shares, units or interests outstanding but results in the outstanding shares, units or interests (other than shares, units or interests owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding shares, units or interests immediately following such event;

“**NAV**” means net asset value;

“**Nominal Amount**” means the amount specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Payment Day**” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign exchange currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET 2) System is open;

“**Portfolio Guidelines**” means the investment guidelines and restrictions specified in respect of a Fund and as set out in the relevant Fund Prospectus and/or the relevant Fund Documents;

“**Potential Fund Event**” means any event or circumstance which would or may (with the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing), in

the determination of the Calculation Agent, constitute or cause a Fund Event or where the Calculation Agent reasonably believes in good faith that a Fund Event may have occurred but does not at that time have evidence thereof;

“**Pricing Date**” means the date or dates specified as such in the applicable Final Terms, subject to adjustment by the Issuer or the Calculation Agent on its behalf in adverse market conditions if, in the opinion of the Issuer or the Calculation Agent on its behalf, circumstances so require;

“**Reference Asset**” means each Fund or Index, as the case may be, and “**Reference Assets**” means each or all of the Funds and Index’s as the case may be;

“**Reference Asset Currency**” means, in relation to each Index in the applicable Final Terms, the currency specified as such in the definition of the Basket;

“**Reference Asset Exchange Rate**” means, in relation to each Reference Asset and where applicable, the rate of exchange between the relevant Reference Asset Currency and the Settlement Currency taken from Reuters page WX+ or as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonable determine to be appropriate at such time;

“**Reference Banks**” means the entities, if any, specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Related Exchange**” means in respect of each Index, an options or futures exchange or quotation system on which options contracts or futures contracts or other derivatives contracts on the Index are traded;

“**Relevant Currency**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying, is located provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt (“**ADR**”) or Global Depositary Receipt (“**GDR**”), the constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition;

“**Relevant Currency Exchange Rate**” means, each rate of exchange between the Relevant Currency and the Settlement Currency, or where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time;

“**Relevant Number of Trading Days**” means the number of Trading Days, if any, specified as such in the definition of Underlying Rate for the relevant Series in the applicable Final Terms;

“**Relevant Party**” means each of the Fund and the Fund Adviser;

“**Replacement Fund**” means, in relation to a Fund, the fund selected by the Issuer or the Calculation Agent on its behalf to replace that Fund in accordance with Product Condition 4(e)(ii). Such Replacement Fund will have a similar risk profile as the Fund replaced, as determined by the Issuer or the Calculation Agent on its behalf;

“**Re-Weighting**” means with respect to each Index, if “Re-weighting” is specified as being “Applicable” in the applicable Final terms, the percentage specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Screen Page**” means each page, if any, specified as such in the definition of Underlying Rate for the relevant Series in the applicable Final Terms or any successor to any such page which contains the same information;

“**Securities**” means each Series of the notes specified in the applicable Final Terms and each such note a “**Security**”. References to the terms “**Securities**” and “**Security**” shall be construed severally with respect to each Series specified in the applicable Final Terms;

“**Series**” mean each series of Securities set out in the applicable Final Terms;

“**Settlement Currency**” means the currency specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Settlement Date**” means, unless specified otherwise in the applicable Final Terms, the Maturity Date or if later, the third Business Day following the Valuation Date;

“**Standard Currency**” means unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time;

“**Substitution Date**” means, in relation to a Fund, the date selected by the Issuer or the Calculation Agent on its behalf for the replacement of the Fund by a Replacement Fund;

“**Trading Day**” means such days as specified in the definition of the relevant Series in the applicable Final Terms;

“**Underlying Rate**” means each rate, if any, specified as such in the definition of the relevant Series in the applicable Final Terms, as determined by the Calculation Agent by reference to the Screen Page (if any) unless in the determination of the Calculation Agent, a Market Disruption Event has occurred, in which case the underlying rate shall be calculated in accordance with Product Condition 4;

“**Valuation Date**” means the date or dates specified as such in the definition of the relevant Series in the applicable Final Terms or, if any such day is not a Trading Day, the first Trading Day thereafter unless, in the determination of the Issuer or the Calculation Agent on its behalf either:

- (i) a Disruption Event has occurred on that day with respect to any Reference Asset, in which case the Valuation Date shall be the first succeeding Trading Day on which the Issuer or the Calculation Agent on its behalf determines that there is no Disruption Event, unless the Issuer or the Calculation Agent on its behalf determines that there is a Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Disruption Event) would have been a Valuation Date. In that case (a) the last day of the Relevant Number of Trading Days shall be deemed to be the Valuation Date (regardless of the Disruption Event); and (b) the Issuer or the Calculation Agent on its behalf shall determine the Cash Amount having regard to the then prevailing market conditions, the last reported NAV or price trading price of the Reference Asset or, where the Reference Asset is an exchange traded fund, the last reported trading price of the Fund Reference Asset on the Exchange and such other factors as the Issuer or the Calculation Agent on its behalf determines to be relevant; or
- (ii) a Fund Event has occurred on that day in which case the provisions of Product Condition 4(e) shall apply and the Valuation Date shall be adjusted accordingly;

“**Valuation Time**” means (i) in respect of the Underlying Rate, at or around the time specified as such in the definition of the relevant Series in the applicable Final Terms, (ii) in respect of the AEX-index, the time with reference to which the Index Sponsor calculates the exchange delivery settlement price (the average of the prices of the AEX-index calculated at one minute intervals between 15.30 and 16.00 Amsterdam time), or (iii) in respect of any other Index, the time with reference to which the Index Sponsor calculates the closing level of the Index, or in relation to (i), (ii) and (iii) at such other time as the Issuer may select in its absolute discretion and notify to Holders in accordance with General Condition 4; and “**Weight**” means, unless for the relevant Series “Basket” is specified in the applicable Final Terms as being “Not Applicable”, for each Reference Asset, the percentage specified as such in the definition of Basket of the relevant Series in the applicable Final Terms, subject to adjustment in accordance with Product Condition 4.

Terms in capitals which are not defined in these Product Conditions shall have the meanings ascribed to them in the General Conditions.

## 2. FORM

- (a) Global Form. Except in the case of Securities issued in the form described in either Product Condition 2(b) or 2(c), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the “**Global Security**”) which will be deposited with a Clearing Agent or the depository for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the

rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term “**Holder**” shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested as regards the Issuer and the Agents, solely in the bearer of the Global Security.

- (b) Dematerialised Form. Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time to time (the “**Rules**”). Accordingly, in these Conditions, the term “**Holder**” means a person in whose name a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

If CREST is specified as the Clearing Agent in the relevant Final Terms, the Securities will be cleared through CREST. Such Securities will be registered securities in dematerialised and uncertificated form, and will be (i) participating securities and (ii) uncertificated securities in accordance with the Uncertificated Securities Regulations 2001 (SI. No. 3755) as amended, supplemented or replaced from time to time (the “**Regulations**”).

Securities cleared through CREST may be transferred in accordance with the Regulations and the rules, procedures and practices of the relevant Operator (as defined below). No transfer of such Securities will be valid unless and until entered on the relevant Operator register of corporate securities (as defined in and in accordance with, the Regulations).

In the case of Securities cleared through CREST, title to the Securities is recorded on the relevant Operator register of corporate securities (as defined in the Regulations). The Registrar on behalf of the Issuer will maintain a register of such Securities recorded on the relevant Operator register of corporate securities (the “**Register**”) and shall procure that the Register is regularly updated to reflect the Operator register of corporate securities in accordance with the rules and practices from time to time of the Operator and the Regulations. Subject to this requirement, (i) each person who is for the time being shown in

the Register as the holder of such Securities shall be treated by the Issuer and the Registrar as the holder of such Securities for all purposes and (ii) neither the Issuer nor the Registrar shall be liable in respect of any act or thing done or omitted to be done by it or on its behalf in reliance upon the assumption that the particulars entered in the Register which the Registrar maintains are in accordance with particulars entered in the Operator register of corporate securities relating to such Securities (and the expression “**Holder**” and related expressions shall be construed accordingly).

Any reference to the “**Operator**” (as such term is used in the Regulations) shall be to CREST and shall, whenever the context so permits, be deemed to include a reference to any such additional or alternative Operator approved by the Issuer from time to time in accordance with the Regulations and notified to the relevant Holders in accordance with General Condition 4.

Any indication herein that the Operator “shall do”, or similar expression or phrase indicating that they are obliged to or will carry out any role or obligation described in the Conditions and/or the applicable Final Terms, as the case may be, is given without any assumption by the Issuer, the relevant Registrar or the Calculation Agent of responsibility or liability for the performance of the Operator.<sup>3</sup>

#### RIGHTS AND PROCEDURES

- (a) Redemption on the Settlement Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at the Cash Amount, such redemption to occur on the Settlement Date.
- (b) Issuer Call. If “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the Issuer may redeem the Securities in whole, but not in part, on any Issuer Call Date at the Issuer Call Cash Amount by giving Holders at least the Issuer Call Notice Period notice of its intention to redeem the Securities, such notice to be given at any time from (and including) the Issuer Call Commencement Date. Any such notice shall be given in accordance with the provisions of General Condition 4 and shall specify the Issuer Call Date.
- (c) Interest Amount. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction, and is payable on each Interest Payment Date and the Issuer Call Date (if applicable), as the case may be.
- (d) Interest Accrual. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date or the Issuer Call Date, as the case may be, in the event that payment of any amount is postponed due to a Market Disruption Event.

- (e) **Payment Day.** If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (a) if “Modified Following” is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (b) if “Following” is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.
- (f) **General.** In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount, any Issuer Call Cash Amount or any Interest Amount.
- (g) **Settlement Risk.** Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and none of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. None of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- (h) **Method of Payment.** Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.
- (i) **Presentation and Surrender.** Unless the Securities are cleared through CREST, the Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the

order of, the Holder in respect of the amount so paid. Where the Securities are cleared through CREST, General Condition 20 shall apply.

#### 4 ADJUSTMENTS

- (a) Disruption Event. Following a Disruption Event, the Calculation Agent will determine the effect of such Disruption Event and shall as soon as reasonably practicable under the circumstances notify the Issuer of such occurrence. The Calculation Agent will account for such occurrence as it sees fit which may include but is not limited to delaying calculation of the Cash Amount, the Issuer Call Cash Amount or any Interest Amount or making the appropriate adjustment to the calculation of the Cash Amount or any Interest Amount, all in the determination of the Calculation Agent.

“**Disruption Event**” means:

- (i) a Market Disruption Event; or
  - (ii) an Index Adjustment Event; or
  - (iii) an Additional Disruption Event.
- (b) Market Disruption. The Issuer or the Calculation Agent on its behalf shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred.

In this Product Condition 4(b), “**Market Disruption Event**” means

- (i) In respect of an Index which is not a Commodity Index, (i) a general moratorium is declared in respect of banking activities in the country in which the Exchange or Related Exchange is located or (ii) the occurrence or existence on any Trading Day during the one hour period that ends at the official close of trading on the Exchange or any Related Exchange of any suspension of or limitation imposed on trading or the disruption or impairment in the ability of market participants in general to effect transactions (by reason of movements in price reaching or exceeding limits permitted by the relevant exchange or otherwise):
  - (A) on any Exchange(s) in securities that comprise 20 per cent. or more of the level of the relevant Index, if in the determination of the Calculation Agent, such suspension or limitation is material. For the purpose of determining whether such suspension or limitation is material, if trading in a security included in the Index is suspended or materially limited at that time, then the relevant percentage contribution of that security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index

attributable to that security relative to (y) the overall level of the Index, in each case immediately before that suspension or limitation; or

- (B) on any Related Exchange in any options contracts or futures contracts or other derivatives contracts relating to the relevant Index.

In any event, a limitation on the hours and number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the relevant exchange, but a limitation on trading imposed during the course of the day by reason of movements in price otherwise exceeding levels permitted by the relevant exchange may, if so determined by the Calculation Agent, constitute a Market Disruption Event.

- (ii) In respect of a Commodity Index:
  - (i) Price Source Disruption. The failure by the Exchange to announce or publish the price of the Commodity Index or any of its components (or the information necessary for determining such price(s)) or the temporary or permanent discontinuance or unavailability of such price(s) by the Exchange; or
  - (ii) Trading Suspension. The material suspension of trading on the Exchange; or
  - (iii) Disappearance of Price. The permanent discontinuation of trading in the Commodity Index or any of its components on the Exchange, disappearance of, or of trading in, the Commodity Index or any of its components or the disappearance or permanent discontinuance or unavailability of a reference price, notwithstanding the availability of the related price source or the status of trading in the Commodity Index or any of its components; or
  - (iv) Material Change in Formula. The occurrence, since the Issue Date, of a material change in the basis for (including but not limited to the quantity, quality or currency), or method of, calculating the price of a component of the Commodity Index; or
  - (v) Material Change in Content. The occurrence, since the Issue Date, of a material change in the content or composition of a Commodity Index or any of its components; or
  - (vi) De Minimis Trading. The number of contracts traded on the Exchange with respect to a Commodity Index or any of its components is such that the Issuer declares that its ability to enter into hedging transactions with respect to the Commodity Index or any of its components has been impaired due to a lack of, or a material reduction in, trading in the Commodity Index or any

of its components on the Exchange; or

- (vii) Tax Disruption. The imposition of, change in, or removal of, an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measured by reference to, a Commodity Index or any of its components (other than a tax on, or measured by reference to, overall gross or net income) by any government or taxation authority after the Issue Date, if the direct effect of such imposition, change or removal is to raise or lower the price of the Commodity Index or any of its components on the Valuation Date or Issuer Call Date, as the case may be, and/or on each of the three Trading Days following the Valuation Date or Issuer Call Date, as the case may be, from what it would have been without that imposition, change or removal; or
  - (viii) Trading Limitation. The material limitation imposed on trading in a Commodity Index or any of its components on any exchange or principal trading market; or
  - (ix) Moratorium. A general moratorium is declared in respect of banking activities in the country in which the Exchange is located; or
  - (x) Other Events. Any other event similar to any of the above which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities.
- (ii) In respect of the Strategy:
- (A) Price Source Disruption. The failure by the Index Sponsor to announce or publish the price for the relevant Strategy Component (or the information necessary for determining such price), or the temporary or permanent discontinuance or unavailability of such price by the Index Sponsor; or
  - (B) Trading Suspension. The material suspension of trading on any Exchange or any Related Exchange; or
  - (C) Disappearance of Price. The failure of trading to commence, or the permanent discontinuation of trading of each relevant Strategy Component on the relevant Exchange; or
  - (D) Material Change in Formula. The occurrence, since the Issue Date, of a material change in the basis for (including but not limited to the quantity, quality or currency), or method of calculating the price of each Strategy Component; or

- (E) Material Change in Content. The occurrence, since the Issue Date, of a material change in the content, composition of each Strategy Component; or
  - (F) De Minimis Trading. The number of contracts traded on the relevant Exchange with respect to each Strategy Component is such that the Issuer declares that its ability to enter into hedging transactions with respect to the relevant Strategy Component has been impaired due to a lack of, or, a material reduction in, trading in the relevant Strategy Component on the relevant Exchange; or
  - (G) Tax Disruption. The imposition of, change in, or removal of an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measured by reference to, the relevant Strategy Component (other than a tax on, or measured by reference to, overall gross or net income) by any government or taxation authority after the Issue Date, if the direct effect of such imposition, change or removal is to raise or lower the price of the relevant Strategy Component on the Valuation Date and/or on each of the three Trading Days following the Valuation Date from what it would have been without that imposition, change or removal; or
  - (H) Trading Limitation. The material limitation imposed on trading in the relevant Strategy Component with respect to it or any contract with respect thereto on any exchange or principal trading market; or
  - (I) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities.
- (c) Index Adjustment Event. The Issuer or the Calculation Agent on its behalf shall give notice as soon as practicable to the Holders in accordance with General Condition 4 of any determination made by it pursuant to paragraphs (i), (ii), (iii) or (iv) below:
- (i) If the Index is: (A) not calculated and announced by the Index Sponsor but is calculated and published by a successor to the Index Sponsor (the “**Successor Sponsor**”) acceptable to the Calculation Agent; or (B) replaced by a successor index using in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then (in either case) the Index will be deemed to be the index so calculated and announced by such Successor Sponsor or that successor index, as the case may be.
  - (ii) If: (A) on or prior to the Valuation Date or, if applicable, the Issuer Call Date, as the case may be, the Index Sponsor or, if applicable, the Successor Sponsor, makes a

material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent securities or components, as the case may be, and other routine events); or (B) on or prior to the Valuation Date or, if applicable, the Issuer Call Date, as the case may be, the Index Sponsor or, if applicable the Successor Sponsor, fails to calculate and/or publish the Index; then (in either case) the Calculation Agent shall determine the Final Reference Value using, in lieu of a published level(s) for the Index on the Valuation Date or, if applicable, the Issuer Call Date, as the case may be, the level for the Index as determined by the Calculation Agent in accordance with the formula for and method of calculating the Index last in effect prior to the change or failure, but using only those (a) in respect of an Index which is not a Commodity Index, securities that comprised the Index immediately prior to the change or failure (other than those securities that have since ceased to be listed on the Exchange or any other exchange on which the Shares are listed); or (b) in respect of a Commodity Index, commodity components that comprised the Index immediately prior to the change or failure (other than those components that have since ceased to be traded on the Exchange or any other exchange) or in the case of a material modification of the Index only, the Calculation Agent shall deem such modified Index to be the Index so calculated and announced or shall (if so required by the Issuer), by giving notice in accordance with General Condition 4, terminate the Securities and pay to each Holder in respect of each Security held by such Holder an amount equal to the fair market value of the Security immediately prior to such material modification of the Index less the cost to the Issuer of unwinding any related hedging arrangements (as determined by the Issuer).

- (iii) If, at any time, any of the events specified in (A) to (I) below occurs and the Index Sponsor or, if applicable, the Successor Sponsor, has not in the opinion of the Calculation Agent made an appropriate adjustment to the level of the Index (which term excludes, for these purposes of this paragraph (iii), any Commodity Index) in order to account fully for such event, notwithstanding that the rules published or applied by the Index Sponsor or, if applicable, the Successor Sponsor, pertaining to the Index have been applied, the Calculation Agent shall make such adjustment to the level of the Index as it considers appropriate in order so to account for. (A) (i) a distribution or dividend to existing holders of the Shares; or (ii) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the issuer of the Shares equally or proportionately with such payments to holders of Shares or (iii) any other type of securities, rights or warrants or other

assets, in any case for payment (in cash or otherwise) at less than the prevailing market price; (B) a free distribution or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price; (C) a free distribution or dividend of any Shares to existing holders of the Shares by way of bonus, capitalisation or similar issue; (D) an extraordinary dividend; (E) any cash dividends declared on the Shares at a time when the relevant issuer of the Shares has not previously declared or paid dividends on such Shares for the prior four quarterly periods; (F) any non-cash dividends declared on the Shares at a time when the relevant issuer of the Shares has not previously declared or paid dividends on such Shares for the prior four quarterly periods; (G) any other extraordinary cash or non-cash dividend on, or distribution with respect to, the Shares which is, by its terms or declared intent, declared and paid outside the normal operations or normal dividend procedures of the relevant issuer of the Shares, provided that, in all cases, the related ex-dividend date occurs during the period from but including the Issue Date up to and excluding the Valuation Date or the Issuer Call Date, if applicable; (H) a distribution of cash dividends on the Shares equal to or greater than 8 per cent. per annum of the then current market value of the Shares; (I) any other similar event having dilutive or concentrative effect on the theoretical value of the Shares.

- (iv) The Issuer reserves the right to make adjustments or to distribute to the Holders any rights in connection with the Securities as it reasonably believes are appropriate in circumstances where an event or events occur which the Issuer (in its absolute discretion and notwithstanding any adjustments previously made to the Securities) believes should in the context of the issue of Securities and its obligations hereunder, give rise to such adjustment or distribution, provided that such adjustment is considered by the Calculation Agent to be appropriate generally (without considering the individual circumstances of any Holder or the tax or other consequences of such adjustment in any particular jurisdiction) or is required to take account of provisions of the laws of the relevant jurisdiction or the practices of the Exchange. The Issuer, in any event, reserves the right to in its absolute discretion terminate Securities linked to any Proprietary Index by giving notice in accordance with General Condition 4, in the event that the relevant Index Sponsor terminates, cancels or suspends, as the case may be, any such Proprietary Index.

(i), (ii) and (iv) above shall apply in the same context to the Strategy.

- (d) Fund Events. Each of the following events constitutes a “**Fund Event**”. The Fund Events are for the benefit of the Issuer in order that the Issuer is protected against any adverse effects of such Fund Events on its Hedge Position. The Issuer, or the Calculation Agent on its behalf,

shall make all determinations in respect of such Fund Events including as to whether such Fund Event has occurred and the effective date of such occurrence. In order to constitute a Fund Event, the Issuer or the Calculation Agent on its behalf must conclude that the event in question either has resulted or is reasonably likely to result in an adverse effect on the value of the Fund Reference Assets or the NAV of the Fund or on the rights of any investor therein with respect to the Fund Reference Assets or the Fund or otherwise has materially adversely affected its Hedge Position.

(i) Global Events:

- (A) Any of: (a) the investment strategy and/or the investment objective of the Fund has changed so that it is materially different from that applicable at its Inclusion Date or (b) a material change has been made to the underlying nature, strategy or risk of the Fund's portfolio from that which prevailed at its Inclusion Date and that is over and above that expected by the Issuer or the Calculation Agent on its behalf as of the Inclusion Date with respect to the trading strategies employed by the Fund as of that date or (c) the operation or organisation of the Fund or the Fund Adviser (including, without limitation, its organisational structure and its procedures, processes or policies in respect of investment selection, due diligence, asset allocation, risk management or investment monitoring) has changed from that at the Inclusion Date or are other than as represented at such Inclusion Date or (d) any such procedures, processes or policies as are referred to in (c) above are either not being applied or are not being applied consistently with their application on the Inclusion Date or (e) an event or change affecting any of the structure, ownership, management or reputation or liquidity of the Fund or the Fund Reference Assets and/or any other units in the capital of the Fund and/or any Fund Service Provider occurs or (f) any other amendments, changes, modifications or variations are made after the Inclusion Date to any of the Fund Documents, the Fund Prospectus or the Portfolio Guidelines.
- (B) (a) the Fund is not being managed in accordance with the Fund Documents and/or the Fund Prospectus as they prevailed on the Inclusion Date, and no action satisfactory to the Issuer or the Calculation Agent on its behalf has been taken by the Fund or any person on its behalf with a view towards correcting such breach within five calendar days from the date on which the Fund was notified of the breach, or (b) any event occurs which causes, or will with the passage of time (in the opinion of the Issuer or the Calculation

Agent on its behalf) cause, the failure of the Fund and/or any Fund Service Provider to meet or maintain any obligation or undertaking under the Fund Documents.

- (C) The Issuer or the Calculation Agent on its behalf determines that (a) the obligations of any of the Fund or any Fund Service Provider or the directors of the Fund under any Hedging Agreement do not comprise legal, valid and binding obligations of such person, enforceable in accordance with their terms or (b) any of the Fund or any Fund Service Provider was acting outside its powers or authority in executing any Hedging Agreement or in making any agreement or undertaking therein. Each of (a) and (b) shall be conclusively presumed to be the case if the Issuer or the Calculation Agent on its behalf is advised that such is the case by reputable legal counsel having expertise in such matters.
- (D) The activities of the Fund or any Fund Service Provider and/or any of their respective directors, officers, employees or agents are placed under review or become subject to any investigation, proceeding or litigation by any relevant governmental, legal, administrative or regulatory authority or court of competent jurisdiction and/or are subject to any charges or actions by any governmental, legal, administrative or regulatory authority for reasons of wrongdoing, suspected wrongdoing, alleged engagement in fraudulent activities, breach of any rule or regulation or other similar reason and/or the Fund or any Fund Service Provider and/or any of their respective directors, officers, employees or agents have any of their respective registrations, approvals, authorisations, licences or memberships with any administrative or regulatory authorities revoked, suspended, terminated, limited or qualified.
- (E) Written notification is given by the Fund or any Fund Service Provider (or any person acting on behalf thereof) to holders of Fund Reference Assets or to the Fund Administrator of a proposed cessation of operation of the Fund or the Fund or any Fund Service Provider (a) is dissolved or has a resolution passed for its dissolution, winding-up, official liquidation; (b) makes a general assignment or arrangement with or for the benefit of its creditors; (c) (I) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organization or the jurisdiction of its head or home office, a proceeding seeking a judgment

of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official, or (II) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in Product Condition 4(d)(i)(E)(c)(I) above and in the case of this Product Condition 4(d)(i)(E)(c)(II) either (x) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (y) is not dismissed, discharged, stayed or restrained in each case within fifteen days of the institution or presentation thereof; (d) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or a substantial part of its assets; (e) any security granted by the Fund or any Fund Service Provider over any of its assets is enforced or becomes capable of being enforced or any arrangement which in the determination of the Issuer or the Calculation Agent on its behalf is comparable to security over any such assets (including without limitation any repurchase agreement or prime brokerage arrangement) becomes enforceable or capable of early termination or any derivatives, repurchase agreement, securities lending or other trading or dealing arrangement relating to the assets of the Fund becomes enforceable or capable of early termination by reason of any event of default (howsoever described) relating to the Fund or the relevant Fund Service Provider; or (f) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in Product Conditions 4(d)(i)(E)(a) through 4(d)(i)(E)(f) above.

- (F) The Fund or any Fund Service Provider becomes party to any litigation or dispute.
- (G) Any Merger Event occurs or is threatened.
- (H) The Fund or any Fund Service Provider has experienced or is experiencing a material adverse change in its business, assets, operations or financial

condition which adversely impacts its ability to provide services to the Fund and/or the quality of such services.

- (I) In respect of any Fund Reference Assets, any fraudulent or negligent entry is made on the register of such Fund Reference Assets maintained by or on behalf of the Fund or there is a reduction in the number of such Fund Reference Assets held for the account of any investor in the Fund for reasons beyond the control of that investor.
  - (J) (a) any change occurs in the legal, tax, accounting or regulatory treatment of (i) the Issuer, any of its affiliates or any Hedge Provider by reason of its investment in the Fund or the Fund Reference Assets or (ii) the Fund or any Fund Service Provider, in each case from that which was applicable at the Inclusion Date or (b) the Issuer or the Calculation Agent on its behalf determines that any of Issuer, its affiliates or any Hedge Provider is or may in the future be unable, or it may be unduly onerous or impractical for any such entity, to perform any obligation (including, without limitation, any regulatory or accounting reporting obligation) imposed on any such entity by the law or regulation of any relevant jurisdiction, any relevant regulatory or administrative body or any court of competent jurisdiction, in each case by reason of its investment in the Fund or the Fund Reference Assets or (c) the Issuer, any of its affiliates or any Hedge Provider deems it necessary or appropriate, in order to comply with or remain within (i) any applicable legal and/or regulatory limits on the amounts of Fund Reference Assets that it may hold and/or (ii) any internal exposure limits governing the maximum exposure (direct and indirect) that the Issuer, any relevant affiliate or the Hedge Provider as the case may be, is permitted to have to the Fund, to redeem all or some of the Fund Reference Assets held by them.
  - (K) A cross-contamination or other failure effectively to segregate the portfolio of assets occurs between different series, classes and/or sub-funds in relation to the Fund (if the Fund is part of an umbrella structure with more than one sub-fund).
  - (L) A significant market, trading or exchange disruption and/or crisis in the major financial markets occurs.
- (ii) NAV/Price and Reporting:
- (A) There is (a) a failure to calculate and/or publish the NAV of the Fund on any day on which such calculation or publication was scheduled to be made in

accordance with the Fund Documents and/or the Fund Prospectus as they prevailed on the Inclusion Date or (b) a failure to calculate and publish the NAV of the Fund with the frequency set out in the Fund Documents and/or the Fund Prospectus as they prevailed on the Inclusion Date or (c) where the Fund is an exchange traded fund, a failure to publish the trading price of the Fund Reference Assets on the Exchange.

- (B) (a) Any change is made to the methodology used for calculating either the NAV of the Fund or any estimate of the NAV of the Fund from that which prevailed on the Inclusion Date or (b) there is a failure to calculate and deliver any estimate of the NAV of the Fund in accordance with the timing within which such information has previously been provided to the Issuer, the Calculation Agent, any of its affiliates or any Hedge Provider.
- (C) (a) The time delay between calculation of the NAV (or any estimated NAV) of the Fund and the publication of such NAV (or estimated NAV) is changed so that it is no longer the same as set out in the Fund Prospectus as it prevailed on the Inclusion Date or (b) any other information relating to the Fund that was specified to be published in accordance with the Fund Documents or the Fund Prospectus as they respectively prevailed on the Inclusion Date is not published in accordance with the timetable therefor set out in such documents.
- (D) The audited NAV of the Fund varies by more than 0.50 per cent. from the related NAV previously published by or on behalf of the Fund, or the auditors of the Fund qualify any audit report, or refuse to provide an unqualified audit report, in respect of the Fund, or the Issuer or the Calculation Agent on its behalf considers that the unaudited official NAV of the Fund published by or on behalf of the Fund in respect of any date does not reflect the NAV of such Fund as it would have been determined by the independent auditors of that Fund using the generally accepted accounting standards adopted by the Fund.
- (E) (i) In respect of any Fund Reference Asset, the occurrence of any event affecting such Fund Reference Asset that, in the determination of the Issuer or the Calculation Agent on its behalf, would make it impossible or impracticable for the Issuer or the Calculation Agent to determine the value of such Fund Reference Asset, and the Issuer or the Calculation Agent on its behalf determines that such event will not be, or has not been, resolved within 15 calendar days from the occurrence of such event; (ii) any failure

of the Fund, any Fund Service Provider or any director of the Fund to deliver, or cause to be delivered, (A) information that such person has agreed to deliver, or cause to be delivered, to the Issuer, the Calculation Agent, any of the Issuer's affiliates or any Hedge Provider in respect of the Fund (including, without limitation, any information required by the Issuer or the Calculation Agent in the execution of its duties and obligations under the Securities or required by the Issuer or the Calculation Agent in order to determine whether any Fund Event has occurred or to make any other determination permitted by it in respect of the Securities) or (B) information that has been previously delivered to the Issuer, the Calculation Agent, any of the Issuer's affiliates or any Hedge Provider, in accordance with such person's, or its authorised representative's, normal practice and that the Issuer or the Calculation Agent deems necessary for it to perform its duties and obligations under the Securities or that the Issuer or the Calculation Agent deems is required by it in order to determine whether any Fund Event has occurred or to make any other determination permitted by it in respect of the Securities (including, in either case, monitoring the Fund's compliance with any Portfolio Guidelines, asset allocation methodologies, the occurrence of any Fund Event or any other similar policies relating to such Fund Reference Assets).

(iii) Fund Reference Assets:

Any of the following events relating to the Fund Reference Assets occurs:

- (A) a subdivision, reclassification or distribution of Fund Reference Assets which has a diluting or concentrative or other effect on the value (theoretical or otherwise) of the Fund Reference Assets;
- (B) a portion of each Fund Reference Asset is converted (whether by way of redemption and re-issue or otherwise) into new securities participating in the capital of the Fund, which securities are subject to lock-up periods during which they may not be redeemed and which relate to any segregated assets of the Fund, or the Fund creates any other form of "side-pocket" which affects the Fund Reference Assets;
- (C) a (i) dividend (including cash and whether ordinary or extraordinary), (ii) distribution or (iii) issue of Fund Reference Assets, capital, securities, rights or other assets or interests to existing holders of Fund Reference Assets

which has or is likely to have an adverse effect on the value (theoretical or otherwise) of the Fund Reference Assets;

(D) any suspension or limitation on the trading of the relevant currencies in which the Fund Reference Assets are denominated or any amendment to the currency of denomination of the Fund Reference Assets so that their price is no longer calculated in the same currency as at the Inclusion Date of the Fund; or

(iv) Trading and Fees:

(A) In respect of the Fund Reference Assets, the Fund or any Fund Service Provider increases the level of any redemption fee, subscription fee, management fee, performance fee or a bid/offer spread (or other charge however described) above the level that would have been applicable to any Fund Reference Assets held by any of the Issuer, any affiliate of the Issuer or any Hedge Provider on the Inclusion Date (regardless of whether any such person actually holds any Fund Reference Assets as of such date).

(B) Any suspension of or limitation imposed on trading of the Fund or on trading in the Fund Reference Assets (for any reason, including, without limitation, by reason of liquidity restrictions) or any dealing request made by any investor or prospective investor in the Fund or the Fund Reference Assets is deferred in whole or in part or is made at a value other than the related NAV or price, as applicable.

(C) The frequency at which Fund Reference Assets can be traded is amended or the timing for subscription or redemption of Fund Reference Assets is amended, in each case so that it is no longer that specified in the Fund Documents and/or Fund Prospectus as they prevailed on the Inclusion Date, including, without limitation, an amendment to the timetable for payment of redemption proceeds upon redemption.

(D) If any of the Issuer, any of its affiliates or any Hedge Provider redeems Fund Reference Assets or is entitled to any other amount and:

(I) does not receive the full proceeds of such redemption or amount in cash in accordance with the timing set out in the Fund Documents or the Fund Prospectus; or

- (II) receives any in-kind distribution in full or part satisfaction of the redemption proceeds or such other amount paid or payable to it, or the Issuer or the Calculation Agent on its behalf determines that either (I) or (II) above would be applicable were the Issuer, any of its affiliates or any Hedge Provider to redeem Fund Reference Assets or be entitled to actual payment of any such other amount.
- (v) Fund Adviser and Fund Service Provider Failures:
  - (A) The Fund Adviser indicates or acknowledges that in its opinion the strategy/investment objective of the Fund will not be, or is no longer able to be, met.
  - (B) Any representations, covenants or agreements of the Fund Adviser under the investment management agreement or investment advisory agreement (howsoever described) relating to the Fund have been breached and not cured.
  - (C) Any of: (a) the resignation, termination of appointment or replacement of the Fund Adviser from its role as such occurs or the resignation, termination of appointment or replacement of any other Fund Service Provider from its role as such occurs with respect to the Fund or (b) any change in the personnel of any Fund Service Provider occurs which the Issuer or the Calculation Agent on its behalf considers materially adversely affects the ability of such Fund Service Provider to carry out its duties with respect to the Fund.
  - (D) The Issuer or the Calculation Agent on its behalf becomes aware of any failure by the Fund or any person on its behalf to disclose to the Issuer or the Calculation Agent on its behalf, on or before the Inclusion Date, any information, event or circumstance that was in existence on such date and that would have been necessary to enable the Issuer or the Calculation Agent to make an informed assessment of the assets and liabilities, financial position and prospects of the Fund and of the rights attaching to the Fund Reference Assets.
- (vi) General: Any other event occurs which the Issuer or the Calculation Agent on its behalf determines is analogous to any of the events specified in sub-paragraphs (i) to (v) above.

(e) Consequences of a Fund Event.

In respect of each Fund Event, following the occurrence of such an event (and regardless of whether or not such event is then continuing) the Issuer or the Calculation Agent on its behalf may take any of following actions (each, a “**Permitted Action**”):

- (i) (A) make such adjustments to any variable, calculation methodology, valuation, settlement or payment terms or any other terms and conditions of the Securities as the Issuer or the Calculation Agent on its behalf determines appropriate to account for the economic effect on the Securities of such Fund Event and (B) determine the effective date of the relevant adjustments; or
- (ii) select a Replacement Fund and a Substitution Date. Following any such selection (A) the Replacement Fund shall replace the affected Fund on the Substitution Date, (B) references herein to the name of the affected Fund shall be deemed to be references to the name of the Replacement Fund with effect from the Substitution Date and (C) the Issuer or the Calculation Agent on its behalf may make such adjustment as it determines to be appropriate, if any, to any variable, calculation methodology, valuation, settlement or payment terms or any other terms and conditions in relation to the Securities to reflect such substitution; or
- (iii) terminate all, but not some only, of the Securities, on the date notified to Holders in accordance with General Condition 4 and redeem the Securities at their fair market value immediately prior to such Fund Event less (i) the cost to the Issuer of unwinding any related hedging and funding arrangements (as determined by the Issuer); and (ii) the deduction of taxes, expenses and other similar charges; or
- (iv) make such adjustments to any variable, calculation methodology, valuation, settlement or payment terms or any other terms and conditions of the Securities as the Issuer or the Calculation Agent on its behalf determines are necessary to reflect a notional liquidation of all of the Fund Reference Assets (with the timing of such notional liquidations being the same timing as would be the case on an actual liquidation of Fund Reference Assets at the relevant time) and a notional investment of the liquidation proceeds in either (A) a zero coupon bond, or equivalent, such that, if the proceeds allow, the amount payable at redemption of such zero coupon bond is at least an amount per Security equal to the Issue Price of the Security, (B) an interest bearing deposit bearing interest at prevailing rates that would be offered by the Issuer in respect of such a deposit as determined by the Issuer or the Calculation Agent on its behalf, or (C) commercial paper rated at least A1/P1 or

above by Moody's Investors Service, Inc. (any transaction costs that would be incurred in respect of an actual such investment may be notionally charged to the Securities) (any of (A), (B) or (C), a "**Suspension Asset**").

Notwithstanding that the Issuer or the Calculation Agent on its behalf may have previously determined not to take a Permitted Action, or to take one Permitted Action, it shall not be prevented from subsequently or concurrently deciding to adopt an additional or different Permitted Action in respect of the same Fund Event (whether on one or any number of occasions). In such respect, the Issuer or the Calculation Agent on its behalf may make such adjustments to any variable, calculation methodology, valuation, settlement or payment terms or any other terms and conditions of the Securities as it determines appropriate to account for the decision subsequently or concurrently made.

Notwithstanding anything in this sub-paragraph 4(d), neither the Issuer nor the Calculation Agent is under any obligation to determine that a Fund Event has occurred or to take any or all of the Permitted Actions. Any determinations made by the Issuer or the Calculation Agent on its behalf in respect of any of the Permitted Actions shall, in the absence of manifest error, be binding.

(f) Fund Event Methodology and Determinations:

- (i) If, in respect of any determination or calculation hereunder which is made by reference to an official or estimated NAV of a Fund provided or published by or on behalf of the Fund or, where the Fund is an exchange traded fund, the last reported trading price of the Fund Reference Asset on the Exchange in respect of a particular date, the Issuer or the Calculation Agent on its behalf determines that such value does not fairly represent the value of the Fund or Fund Reference Asset as of such date, or that no such value is provided or published, then the Issuer or the Calculation Agent on its behalf may use such other value as it determines as representing a fair NAV or price, as applicable, as of such date or, alternatively, may use a preceding official or estimated value where it believes that such preceding official or estimated value gives a fairer representation than the more recent figure.
- (ii) Should the Fund operate equalisation procedures in respect of performance or incentive based fees, the Issuer or the Calculation Agent on its behalf may make such adjustments to these Product Conditions as the Issuer or the Calculation Agent on its behalf determines appropriate to account for such equalisation in an equitable manner and, where such equalisation procedures operate by the issuance of different classes of shares in the Fund, then each of the Issuer and the Calculation Agent is

permitted to deem any notional subscription or redemption on behalf of the Securities to be in such order and in respect of such classes as appear to it to be equitable and reasonable or to deem the return of such shares to be based on a benchmark or average of the different classes.

- (iii) For the avoidance of doubt and notwithstanding any other Condition, the Issuer and the Calculation Agent on its behalf shall be entitled to make any determination, waiver, declaration or decision with regard to a Fund Event and, without limitation, may make such determination, waiver, declaration or decision by reference to the establishment, operation and/or efficacy (whether actual or anticipated) of any Relevant Hedging Transaction. Neither the Issuer nor the Calculation Agent is under any obligation to monitor or determine whether or not a Fund Event has occurred and will not be required to, and will not be responsible for any failure to, make any determination, waiver, declaration or decision whatsoever in relation to a Fund Event. In making or omitting to make any such determination, waiver, declaration or decision, neither the Issuer nor the Calculation Agent shall be under any fiduciary duty towards the Holders and, for the avoidance of doubt, neither the Issuer nor the Calculation Agent shall be responsible for any loss, underperformance or opportunity cost suffered or incurred by Holders in connection with the Securities as a result thereof, howsoever arising. The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determinations. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

## 5. EFFECT OF FINAL TERMS

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

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**CONDITIONS: PRODUCT CONDITIONS**  
**RELATING TO MULTI-ASSET BASKET LINKED NOTES II**

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*The Product Conditions which follow relate to the Securities and must be read in conjunction with, and are subject to, the applicable Final Terms and the General Conditions (whether or not attached to this document). The applicable Final Terms, the Product Conditions and the General Conditions together constitute the Conditions of the Securities and will be printed on any Definitive Securities and attached to any Global Security representing the Securities.*

1. DEFINITIONS

“**Additional Fund Events**” means those events specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Additional Market Disruption Events**” means those events specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Agent**” means the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and together, the “**Agents**”, which expression shall include any other Agent appointed pursuant to the provisions of General Condition 12;

“**Basket**” means the basket specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Basket Constituent**” means each Share, Fund (including, where the Fund is an exchange traded fund, the Reference Asset), Index Future or Index, as the case may be, specified as such in the definition of Basket, and “**Basket Constituents**” means each or all of the Shares, Funds (including, where the Fund is an exchange traded fund, the Reference Assets), Index Futures and Indexes as the case may be;

“**Basket Constituent Currency**” means, in relation to each Basket Constituent in the applicable Final Terms, the currency specified as such in the definition of the Basket;

“**Basket Return**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, an amount calculated in accordance with the following formula:

$$\text{Weight of Share} \times \text{Share Return} + \text{Weight of Index} \times \text{Index Return} + \text{Weight of Fund} \times \text{Fund Return} + \\ \text{Weight of Index Future} \times \text{Index Future Return};$$

“**Business Day**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business;

“**Cash Amount**” means an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

“**Clearing Agent**” means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a “**Clearing Agent**” and together the “**Clearing Agents**”);

“**Commodity Index**” means the commodity index (if any) specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Coupon**” means, if the Securities are interest bearing, an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount;

“**Emerging Market Disruption Event**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

- (i) Moratorium. A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or
- (ii) Price Source Disruption. It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or
- (iii) Governmental Default. With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (A) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (B) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (C) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or
- (iv) Inconvertibility/non-transferability. The occurrence of any event which (A) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant

Currency or (B) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or

- (v) Nationalisation. Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or
- (vi) Illiquidity. It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or
- (vii) Change in Law. A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or
- (viii) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or
- (ix) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency, or where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or
- (x) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities;

“**Exchange**” means, (i) with respect to each Share, each Index Future and each Fund which is an exchange traded fund, the exchange or quotation system specified as such in the definition of Basket in the definition of the relevant Series in the applicable Final Terms or any successor to such exchange or quotation system and (ii) with respect to each Index which is not a Commodity Index, each exchange or quotation system from which the Index Sponsor takes the prices of the shares or other securities that comprise the Index (the “Index Shares”) to compute the Index or any successor to such exchange or quotation system or (iii) with respect to each Commodity Index, the exchange or quotation system or any substitute exchange or quotation system in which trading of the futures or options contracts in the Index or its components principally occurs or the exchange or quotation system where trading has a material effect on the overall market for futures or options contracts relating to the Index or its components, in each case as determined by the Issuer, acting in good faith; “**Exchange Rate**” means, in relation to each Basket Constituent and where applicable, the rate of exchange between the relevant Basket Constituent Currency and the Settlement Currency as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonable determine to be appropriate at such time;

“**Expenses**” means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other

taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security;

“**Final Terms**” means the document containing the specific terms relating to the Securities;

“**Fund**” means each fund (including exchange traded funds) specified as such in the definition of Basket in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Fund Administrator**” means, in respect of the Fund, the fund administrator, manager, trustee or similar person with the primary administrative responsibilities for such Fund according to the Fund Documents;

“**Fund Adviser**” means, in respect of any Fund, any person appointed in the role of discretionary investment manager or non-discretionary investment adviser (including a non-discretionary investment adviser to a discretionary investment manager or to another non-discretionary investment adviser) for such Fund;

“**Fund Documents**” means, with respect to any Fund or Reference Asset, the constitutive and governing documents, subscription agreements and other agreements of the related Fund or Reference Asset specifying the terms and conditions relating to such Fund or Reference Asset and which shall include any Hedging Agreement, each as amended from time to time;

“**Fund Event**” means each event specified as such in Product Condition 4(g), any Potential Fund Event and any Additional Fund Events specified in the definition of the relevant Series in the applicable Final Terms;

“**Fund Final Reference Price**” means in respect of each Fund, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms (i) the Fund Reference Price on the Valuation Date or (ii) if “**Final Averaging**” is specified as being applicable in the definition of the relevant Series in the relevant Final Terms, an amount equal to the arithmetic mean of the Fund Reference Prices on each of the Valuation Dates;

“**Fund Initial Reference Price**” means, in respect of each Fund, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms the Fund Reference Price on the Pricing Date;

“**Fund Prospectus**” means the disclosure document howsoever described prepared in connection with the marketing of the Fund and, in relation to any Replacement Fund, means the disclosure document howsoever described prepared in connection with the marketing of the Replacement Fund and that, as of the Inclusion Date, was the most recent version thereof, each as amended from time to time;

“**Fund Reference Price**” means in respect of each Fund, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, an amount equal to the NAV of such Fund as quoted by the fund manager or, where such Fund is an exchange traded fund, the trading price of the Reference Asset on the Exchange, in each case at the Valuation Time on a Trading Day, as determined by or on behalf of the Calculation Agent without regard to any subsequently published correction, or (if in the determination of the Calculation Agent, no such price or NAV (as the case may be) can be determined and no Emerging Market Disruption Event or Fund Event has occurred and is continuing) an amount determined by the Calculation

Agent as its estimate of the NAV of such Fund or, where such Fund is an exchange traded fund, the trading price of the Reference Asset on the Exchange, in each case having regard to the then prevailing market conditions, the last reported NAV of such Fund or, where such Fund is an exchange traded fund, the trading price of the Reference Asset on the Exchange and such other factors as the Calculation Agent determines relevant subject to adjustment in accordance with Product Condition 4;

“**Fund Return**” means, unless specified otherwise in the definition of the relevant Series in the applicable Final Terms, an amount calculated by the Calculation Agent in accordance with the following formula:

$$\text{Fund Final Reference Price} / \text{Fund Initial Reference Price} - 1;$$

“**Fund Service Provider**” means, in respect of any Fund, any person who is appointed to provide services, directly or indirectly, for that Fund, whether or not specified in the Fund Documents or the Fund Prospectus, including but not limited to any Fund Adviser, Fund Administrator, operator, management company, depository, custodian, sub-custodian, prime broker, trustee, registrar and transfer agent or domiciliary agent;

“**Governmental Authority**” is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate;

“**Hedging Agreement**” means any agreement, whether by way of side letter or otherwise, in respect of any hedging arrangement entered into between: (a) the Issuer, any of its affiliates or any Hedge Provider; and (b) the Fund, the Fund Adviser, any other Fund Service Provider or the directors of the Fund;

“**Inclusion Date**” means (i) in respect of the Fund, the Issue Date and (ii) in respect of any Replacement Fund, means the Substitution Date of that Fund;

“**Index**” means each index or Commodity Index specified as such in the definition of the Basket in the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Index Final Reference Price**” means in respect of each Index, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, (i) the Index Reference Price on the Valuation Date or (ii) if “Final Averaging” is specified as being applicable in the definition of the relevant Series in the relevant Final Terms, an amount equal to the arithmetic mean of the Index Reference Prices on each of the Valuation Dates;

“**Index Initial Reference Price**” means, in respect of each Index, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Index Reference Price on the Pricing Date;

“**Index Reference Price**” means in respect of each Index, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the level of the Index at the Valuation Time on a Trading Day, as determined by the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such level can be determined and no Market Disruption Event has

occurred and is continuing) a level determined by the Calculation Agent as its good faith estimate of the official closing level of the Index on such date having regard to the then prevailing market conditions, the last reported trading price(s) of (a) the Index Shares (in respect of an Index which is not a Commodity Index) or (b) the components of the Index on the Exchange (in respect of a Commodity Index) and such other factors as the Calculation Agent determines relevant, subject to adjustment in accordance with Product Condition 4;

“**Index Return**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, an amount calculated by the Calculation Agent in accordance with the following formula:

$$\text{Index Final Reference Price} / \text{Index Initial Reference Price} - 1;$$

“**Index Future**” means each index future specified as such in the definition of the Basket in the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Index Future Final Reference Price**” (“**IFFRP**”) means, in respect of each Index Future, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, (i) the Index Future Reference Price on the Valuation Date or (ii) if “Final Averaging” is specified as being applicable in the definition of the relevant Series in the relevant Final Terms, an amount equal to the arithmetic mean of the Index Future Reference Prices on each of the Valuation Dates;

“**Index Future Initial Reference Price**” (“**IFIRP**”) means, in respect of each Index Future, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Index Future Reference Price on the Pricing Date;

“**Index Future Price**” means in respect of each Index Future, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the current price of the Index Future. For the avoidance of any doubt, this shall not be the futures contract value but the futures contract value divided by the applicable contract factor (the value of 1.0 future’s point) specified on the applicable Bloomberg page referred to in the definition of the Basket, and if no such page reference exists, such other page reference as the Calculation Agent determines; and

“**Index Future Reference Price**” means, in respect of each Index Future, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, an amount equal to the Index Future Price quoted on the Exchange at the Valuation Time on a Trading Day as determined by or on behalf of the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such price can be determined and no Market Disruption Event has occurred and is continuing) an amount determined by the Calculation Agent as its good faith estimate of the closing Index Future Price on such date having regard to the then prevailing market conditions, the last reported Index Future Price on the Exchange and such other factors as the Calculation Agent determines relevant, subject to adjustment in accordance with Product Condition 4;

“**Index Future Return**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, an amount calculated by the Calculation Agent in accordance with the following formula:

$$\text{Index Future Final Reference Price} / \text{Index Future Initial Reference Price} - 1;$$

“**Index Sponsor**” means the corporation or other entity that (i) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Index and/or (ii) announces (directly or through an agent) the level of the relevant Index on a regular basis during each Trading Day and references to Index Sponsor shall include any successor index sponsor pursuant to Product Condition 4;

“**Interest Amount**” means, if "Interest" is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount, an amount calculated by the Calculation Agent as follows:

$$\text{Nominal Amount} \times \text{Interest Rate} \times \text{Interest Rate Day Count Fraction};$$

“**Interest Payment Dates**” means, if "Interest" is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Interest Period**” means, if "Interest" is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date or the Issuer Call Date, as the case may be, and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date or the Issuer Call Date, as the case may be;

“**Interest Rate**” means, if "Interest" is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, the rate specified as such, or determined in accordance with the formula specified, in the definition of the relevant Series in the applicable Final Terms;

“**Interest Rate Day Count Fraction**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms;

“**Issue Date**” means the date specified as such in the applicable Final Terms;

“**Issuer**” means The Royal Bank of Scotland Group plc incorporated in Scotland with its statutory seat in Edinburgh;

“**Issuer Call**” means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the termination of the Securities by the Issuer in accordance with Product Condition 3(b);

**“Issuer Call Cash Amount”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the amount specified, or determined by the Calculation Agent in accordance with the formula specified, in the definition of Issuer Call Cash Amount for the relevant Series in the applicable Final Terms, less Expenses. The Issuer Call Cash Amount payable to a Holder shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

**“Issuer Call Commencement Date”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the date specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Issuer Call Date”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each date specified as such in the definition of the relevant Series in the applicable Final Terms or, if no such date is specified, the date specified as such in the notice delivered by the Issuer in accordance with Product Condition 3 and, if such day is not a Trading Day, means the first succeeding Trading Day unless, in the determination of the Issuer or the Calculation Agent on its behalf either:

- (i) a Market Disruption Event has occurred on that day with respect to any Basket Constituent in which case the Issuer Call Date shall be the first succeeding Trading Day on which the Issuer or the Calculation Agent on its behalf determines that there is no Market Disruption Event unless the Issuer or the Calculation Agent on its behalf determines that there is a Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Issuer Call Date. In that case (A) the last day of the Relevant Number of Trading Days shall be deemed to be the Issuer Call Date (regardless of the Market Disruption Event); and (B) the Issuer or the Calculation Agent on its behalf shall determine the Issuer Call Cash Amount having regard to the then prevailing market conditions, the last reported trading price of the Basket Constituent or, where the Basket Constituent is an exchange traded fund, the last reported trading price of the Reference Asset on the Exchange, and such other factors as the Issuer or the Calculation Agent on its behalf deems relevant; or
- (ii) a Fund Event has occurred on any such day, in which case the provisions of Product Condition 4(h) shall apply and the Issuer Call Date shall be adjusted accordingly;

**“Issuer Call Notice Period”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the period specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Market Disruption Event”** means each event specified as such in Product Condition 4, any Additional Market Disruption Events specified in the definition of the relevant Series in the applicable Final Terms and any Emerging Market Disruption Event;

“**Maturity Date**” means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Merger Event**” means, in respect of any relevant shares, units or interests issued by a Relevant Party, any (i) reclassification or change of such shares, units or interests that results in a transfer of or an irrevocable commitment to transfer all of such shares, units or interests outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of such Relevant Party with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Relevant Party is the continuing entity and which does not result in a reclassification or change of all of such shares, units or interests outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding shares, units or interests of such Relevant Party that results in a transfer of or an irrevocable commitment to transfer all such shares, units or interests (other than such shares, units or interests owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Relevant Party or its subsidiaries with or into another entity in which the Relevant Party is the continuing entity and which does not result in a reclassification or change of all such shares, units or interests outstanding but results in the outstanding shares, units or interests (other than shares, units or interests owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding shares, units or interests immediately following such event;

“**NAV**” means net asset value;

“**Nominal Amount**” means the amount specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Participation**” means the amount specified as such in the applicable Final Terms;

“**Payment Day**” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign exchange currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET 2) System is open;

“**Portfolio Guidelines**” means the investment guidelines and restrictions specified in respect of a Fund and as set out in the relevant Fund Prospectus and/or the relevant Fund Documents;

“**Potential Fund Event**” means any event or circumstance which would or may (with the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing), in the determination of the Calculation Agent, constitute or cause a Fund Event or where the Calculation Agent reasonably believes in good faith that a Fund Event may have occurred but does not at that time have evidence thereof;

**“Pricing Date”** means the date or dates specified as such in the applicable Final Terms, subject to adjustment by the Issuer or the Calculation Agent on its behalf in adverse market conditions if, in the opinion of the Issuer or the Calculation Agent on its behalf, circumstances so required;

**“Reference Asset”** means the relevant interests specified as such in the definition of the relevant Series in the Applicable Final Terms, subject to Product Condition 4 or, where the Reference Asset is not specified in the definition of the relevant Series in the applicable Final Terms and the Fund is not an exchange traded fund, the relevant interests in each Fund, subject to Product Condition 4;

**“Related Exchange”** means in respect of each Share, Index Future, Index or each Fund which is an exchange traded fund, an options or futures exchange or quotation system on which options contracts or futures contracts or other derivatives contracts on the Shares, Index Futures, Index or Funds are traded;

**“Relevant Currency”** means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying, is located provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt (“ADR”) or Global Depositary Receipt (“GDR”), the constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition;

**“Relevant Currency Exchange Rate”** means, each rate of exchange between the Relevant Currency and the Settlement Currency, or where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time;

**“Relevant Number of Trading Days”** means the number of Trading Days, if any, specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Relevant Party”** means each of the Fund and the Fund Adviser;

**“Replacement Fund”** means, in relation to a Fund, the fund selected by the Issuer or the Calculation Agent on its behalf to replace that Fund in accordance with Product Condition 4(h)(ii). Such Replacement Fund will have a similar risk profile as the Fund replaced, as determined by the Issuer or the Calculation Agent on its behalf;

**“Securities”** means each Series of the notes specified in the applicable Final Terms and each such note a **“Security”**. References to the terms **“Securities”** and **“Security”** shall be construed severally with respect to each Series specified in the applicable Final Terms;

**“Series”** mean each series of Securities set out in the applicable Final Terms;

**"Settlement Currency"** means the currency specified as such in the definition of the relevant Series in the applicable Final Terms;

**"Settlement Date"** means, unless specified otherwise in the applicable Final Terms, the Maturity Date or if later, the third Business Day following the Valuation Date or Issuer Call Date, as applicable;

**"Share"** means each share specified as such in the definition of Basket in the relevant Series in the applicable Final Terms, subject to Product Condition 4 and **"Shares"** shall be construed accordingly;

**"Share Company"** means for each Share, the share company specified as such in the applicable Final Terms, subject to Product Condition 4;

**"Share Final Reference Price"** means in respect of each Share, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, (i) the Share Reference Price on the Valuation Date or (ii) if "Final Averaging" is specified as being applicable in the relevant Final Terms, an amount equal to the arithmetic mean of each of the Share Reference Prices on each of the Valuation Dates;

**"Share Initial Reference Price"** means, in respect of each Share, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Share Reference Price on the Pricing Date;

**"Share Reference Price"** means in respect of each Share, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the price determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, as determined by or on behalf of the Calculation Agent without regard to any subsequently published correction unless, in the determination of the Calculation Agent, no such price can be determined and no Market Disruption Event has occurred and is continuing an amount determined by the Calculation Agent as its good faith estimate of the price of the Share on such date having regard to the then prevailing market conditions, the last reported trading price of such Share on the Exchange and such other factors as the Calculation Agent determines relevant, subject to adjustment in accordance with Product Condition 4;

**"Share Return"** means in respect of each Share, unless specified otherwise in the applicable Final Terms, an amount calculated in accordance with the following formula:

$$\text{Share Final Reference Price} / \text{Share Initial Reference Price} - 1;$$

**"Standard Currency"** means unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time;

**"Substitution Date"** means, in relation to a Fund, the date selected by the Issuer or the Calculation Agent on its behalf for the replacement of the Fund by a Replacement Fund.

“**Trading Day**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, (i) with respect to each Share or Index Future, any day that is (or but for the occurrence of a Market Disruption Event, would have been) a trading day on each Exchange or Related Exchange other than a day on which trading on the Exchange or Related Exchange is scheduled to close prior to its regular weekday closing time, (ii) with respect to a Fund, any day (or, but for the occurrence of a Fund Event, would have been a day) on which trading in the Fund or the Reference Asset, as applicable, can take place and (iii) with respect to an Index, any day on which the Index Sponsor should calculate and publish the closing level of the Index according to its rules;

“**Valuation Date**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the date or dates specified as such in the definition of the relevant Series in the applicable Final Terms or, if any such day is not a Trading Day, the first Trading Day thereafter unless, in the determination of the Issuer or the Calculation Agent on its behalf, either:

- (i) a Market Disruption Event has occurred on that day with respect to any Basket Constituent, in which case the Valuation Date shall be the first succeeding Trading Day on which the Issuer or the Calculation Agent on its behalf determines that there is no Market Disruption Event unless the Issuer or the Issuer or the Calculation Agent on its behalf determines that there is a Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Market Disruption Event) would have been a Valuation Date. In that case (a) the last day of the Relevant Number of Trading Days shall be deemed to be the Valuation Date (regardless of the Market Disruption Event); and (b) the Issuer or the Calculation Agent on its behalf shall determine the Cash Amount having regard to the then prevailing market conditions, the last reported trading price of the Basket Constituent and such other factors as the Issuer or the Calculation Agent on its behalf determines to be relevant; or
- (ii) a Fund Event has occurred on that day in which case the provisions of Product Condition 4(h) shall apply and the Valuation Date shall be adjusted accordingly;

“**Valuation Time**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, (i) with respect to each Index the time with reference to which the Index Sponsor calculates the closing level of the Index, (ii) with respect to the AEX-index, the time with reference to which the Index Sponsor calculates the exchange delivery settlement price (the average of the prices of the AEX-index calculated at one minute intervals between 15.30 and 16.00 Amsterdam time), (iii) with respect to each Share or Index Future the official close of trading on the relevant Exchange, (iv) with respect to each Fund (other than those Funds which are exchange traded funds) the time with reference to which the fund manager publishes the NAV or value and (v) with respect to Funds which are exchange traded funds the time specified as such in the definition of the relevant series in the applicable Final Terms. Or, such other time as the Issuer or the Calculation Agent on its behalf may select and notify to Holders in accordance with General Condition 4; and

“**Weight**” means, for each Basket Constituent, the percentage specified as such in the definition of Basket of the relevant Series in the applicable Final Terms, subject to adjustment in accordance with Product Condition 4.

Terms in capitals which are not defined in these Product Conditions shall have the meanings ascribed to them in the General Conditions.

## 2. FORM

- (a) Global Form. Except in the case of Securities issued in the form described in either Product Condition 2(b) or 2(c), the Securities will be issued in bearer form and represented by a global security (the “**Global Security**”) which will be deposited with a Clearing Agent or the depositary for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term “**Holder**” shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested as regards the Issuer and the Agents, solely in the bearer of the Global Security.
- (b) Dematerialised Form. Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time to time (the “**Rules**”). Accordingly, in these Conditions, the term “**Holder**” means a person in whose name a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

If CREST is specified as the Clearing Agent in the relevant Final Terms, the Securities will be cleared through CREST. Such Securities will be registered securities in dematerialised and uncertificated form, and will be (i) participating securities and (ii) uncertificated securities in accordance with the Uncertificated Securities Regulations 2001 (SI. No. 3755) as amended, supplemented or replaced from time to time (the “**Regulations**”).

Securities cleared through CREST may be transferred in accordance with the Regulations and the rules, procedures and practices of the relevant Operator (as defined below). No transfer of such Securities will be valid unless and until entered on the relevant Operator register of corporate securities (as defined in and in accordance with, the Regulations).

In the case of Securities cleared through CREST, title to the Securities is recorded on the relevant Operator register of corporate securities (as defined in the Regulations). The Registrar on behalf of the Issuer will maintain a register of such Securities recorded on the relevant Operator register of corporate securities (the “**Register**”) and shall procure that the Register is regularly updated to reflect the Operator register of corporate securities in accordance with the rules and practices from time to time of the Operator and the Regulations. Subject to this requirement, (i) each person who is for the time being shown in the Register as the holder of such Securities shall be treated by the Issuer and the Registrar as the holder of such Securities for all purposes and (ii) neither the Issuer nor the Registrar shall be liable in respect of any act or thing done or omitted to be done by it or on its behalf in reliance upon the assumption that the particulars entered in the Register which the Registrar maintains are in accordance with particulars entered in the Operator register of corporate securities relating to such Securities (and the expression “**Holder**” and related expressions shall be construed accordingly).

Any reference to the “**Operator**” (as such term is used in the Regulations) shall be to CREST and shall, whenever the context so permits, be deemed to include a reference to any such additional or alternative Operator approved by the Issuer from time to time in accordance with the Regulations and notified to the relevant Holders in accordance with General Condition 4.

Any indication herein that the Operator “shall do”, or similar expression or phrase indicating that they are obliged to or will carry out any role or obligation described in the Conditions and/or the applicable Final Terms, as the case may be, is given without any assumption by the Issuer, the relevant Registrar or the Calculation Agent of responsibility or liability for the performance of the Operator.<sup>3</sup>      RIGHTS AND PROCEDURES

- (a) Redemption on the Settlement Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at the Cash Amount, such redemption to occur on the Settlement Date.
- (b) Issuer Call. If "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the Issuer may redeem the Securities in whole, but not in part, on any Issuer Call Date at the Issuer Call Cash Amount by giving Holders at least the Issuer Call Notice Period notice of its intention to redeem the Securities, such notice to be given at any time from (and including) the Issuer Call Commencement Date.

Any such notice shall be given in accordance with the provisions of General Condition 4 and shall specify the Issuer Call Date.

- (c) Interest Amount. If "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction, and is payable on each Interest Payment Date and the Issuer Call Date (if applicable), as the case may be.
- (d) Interest Accrual. If "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date or the Issuer Call Date, as the case may be, in the event that payment of any amount is postponed due to a Market Disruption Event or Fund Event, as applicable.
- (e) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (a) if "Modified Following" is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (b) if "Following" is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.
- (f) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount, any Issuer Call Cash Amount or any Interest Amount.
- (g) Settlement Risk. Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and none of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. None of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- (h) Method of Payment. Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or

by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.

- (i) Presentation and Surrender. Unless the Securities are cleared through CREST, the Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid. Where the Securities are cleared through CREST, General Condition 20 shall apply.

#### 4. ADJUSTMENTS

- (a) Market Disruption in relation to a Share. The Issuer or the Calculation Agent on its behalf shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred.

In this Product Condition 4(a), a "**Market Disruption Event**" means:

- (1) the occurrence or existence on any Trading Day during the one hour period that ends at the official close of trading on the Exchange or any Related Exchange of any suspension of or limitation imposed on trading or the disruption or impairment in the ability of market participants in general to effect transactions (by reason of movements in price reaching or exceeding limits permitted by the relevant exchange or otherwise):
  - (A) in the Shares on the Exchange or any other exchange on which the Shares are listed; or
  - (B) in any options contracts or futures contracts or other derivatives contracts relating to the Shares on any Related Exchange if, in the determination of the Calculation Agent, such suspension or limitation is material; or
- (2) a general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located.

For the purposes of this definition, a limitation on the hours and number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the Exchange or any Related Exchange, but a limitation on trading imposed during the course of the day by reason of movements in price otherwise exceeding levels permitted by the Exchange or any Related Exchange may, if so determined by the Calculation Agent, constitute a Market Disruption Event.

- (b) Market Disruption in relation to an Index. The Issuer or the Calculation Agent on its behalf shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred.

In this Product Condition 4(b) in respect of an Index which is not a Commodity Index, a "**Market Disruption Event**" means (i) a general moratorium is declared in respect of banking activities in the country in which the Exchange or Related Exchange is located or (ii) the occurrence or existence on any Trading Day during the one hour period that ends at the official close of trading on the Exchange or any Related Exchange of any suspension of or limitation imposed on trading or the disruption or impairment in the ability of market participants in general to effect transactions (by reason of movements in price reaching or exceeding limits permitted by the relevant exchange or otherwise):

- (1) on any Exchange(s) in securities that comprise 20 per cent or more of the level of the relevant Index if, in the determination of the Calculation Agent, such suspension or limitation is material. For the purpose of determining whether such suspension or limitation is material, if trading in a security included in the Index is suspended or materially limited at that time, then the relevant percentage contribution of that security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that security relative to (y) the overall level of the Index, in each case immediately before that suspension or limitation; or
- (2) on any Related Exchange in any options contracts or futures contracts or other derivatives contracts relating to the relevant Index. In any event, a limitation on the hours and number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the relevant exchange, but a limitation on trading imposed during the course of the day by reason of movements in price otherwise exceeding levels permitted by the relevant exchange may, if so determined by the Calculation Agent, constitute a Market Disruption Event.

In this Product Condition 4(b) in respect of a Commodity Index, "**Market Disruption Event**" means, in relation to the Commodity Index or its components:

- (i) **Price Source Disruption.** The failure by the Exchange to announce or publish the price of the Commodity Index or any of its components (or the information necessary for determining such price(s)) or the temporary or permanent discontinuance or unavailability of such price(s) by the Exchange; or
- (ii) **Trading Suspension.** The material suspension of trading on the Exchange; or
- (iii) **Disappearance of Price.** The permanent discontinuation of trading in the Commodity Index or any of its components on the Exchange, disappearance of, or of trading in, the Commodity Index or any of its components or the disappearance or permanent discontinuance or unavailability of a reference price, notwithstanding the availability of the related price source or the status of trading in the Commodity Index or any of its components;
- (iv) **Material Change in Formula.** The occurrence, since the Issue Date, of a material change in the basis for (including but not limited to the quantity, quality or currency), or method of, calculating the price of a relevant component of the Commodity Index; or
- (v) **Material Change in Content.** The occurrence, since the Issue Date, of a material change in the content or composition of a Commodity Index or any of its components; or
- (vi) **De Minimis Trading.** The number of contracts traded on the Exchange with respect to a Commodity Index or any of its components is such that the Issuer declares that its ability to enter into hedging transactions with respect to the Commodity Index or any of its components has been impaired due to a lack of, or a material reduction in, trading in the Commodity Index or any of its components on the Exchange; or
- (vii) **Tax Disruption.** The imposition of, change in, or removal of, an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measured by reference to, a Commodity Index or any of its components (other than a tax on, or measured by reference to, overall gross or net income) by any government or taxation authority after the Issue Date, if the direct effect of such imposition, change or removal is to raise or lower the price of the Commodity Index or any of its components on the Valuation Date or Issuer Call Date, as the case may be, and/or on each of the three Trading Days following the Valuation Date or Issuer Call Date, as the case may be, from what it would have been without that imposition, change or removal; or
- (viii) **Trading Limitation.** The material limitation imposed on trading in a Commodity Index or any of its components on any exchange or principal trading market; or

- (ix) **Moratorium.** A general moratorium is declared in respect of banking activities in the country in which the Exchange is located; or
  - (x) **Other Events.** Any other event similar to any of the above which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities.
- (c) Market Disruption in relation to an Index Future. The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred. In this Product Condition 4(c), a Market Disruption Event means:
- (a) Price Source Disruption. The failure by the Exchange to announce or publish the Index Future Price (or the information necessary for determining such price), or the temporary or permanent discontinuance or unavailability of such price by the Exchange on a Valuation Date; or
  - (b) Trading Suspension. The material suspension of trading on the Exchange or any Related Exchange; or
  - (c) Disappearance of Price. The failure of trading to commence, or the permanent discontinuation of trading of the Index Future on the Exchange; or
  - (d) Material Change in Formula. The occurrence, since the Pricing Date, of a material change in the basis for (including but not limited to the quantity, quality or currency), or method of, calculating the Index Future Price; or
  - (e) Material Change in Content. The occurrence, since the Pricing Date, of a material change in the content or composition of the Index Future Price; or
  - (f) De Minimis Trading. The number of contracts traded on the Exchange with respect to the Index Future is such that the Issuer declares that its ability to enter into hedging transactions with respect to the Index Future has been impaired due to a lack of, or a material reduction in, trading in the Index Future on the Exchange; or
  - (g) Tax Disruption. The imposition of, change in, or removal of, an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measured by reference to, the Index Future (other than a tax on, or measured by reference to, overall gross or net income) by any government or taxation authority after the Pricing Date, if the direct effect of such imposition, change or removal is to raise or lower the Index Future Price on a Valuation Date and/or on each of the three Trading Days following a Valuation Date from what it would have been without that imposition, change or removal; or

- (h) Trading Limitation. The material limitation imposed on trading in the Index Future with respect to it or any contract with respect to it on any exchange or principal trading market; or
  - (i) Moratorium. A general moratorium is declared in respect of banking activities in the country in which the Exchange or Related Exchange is located; or
  - (j) Other Events. Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities.
- (d) Potential Adjustment Events in relation to a Share. Following a declaration by the Share Company of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Share and, if so, will:
- (1) make the corresponding adjustment, if any, to any one or more of the Conditions as the Calculation Agent determines appropriate to account for that diluting or concentrative effect; and
  - (2) determine the effective date of that adjustment.

The Calculation Agent may, but need not, determine the adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an options exchange to options on the Shares traded on that options exchange. Upon making any such adjustment, the Calculation Agent shall notify the Holders in accordance with General Condition 4, stating the adjustment to be made to the Conditions and giving brief details of the Potential Adjustment Event.

**"Potential Adjustment Event"** in this Product Condition 4(d) means any of the following: (A) a subdivision, consolidation or reclassification of relevant Shares (unless a Merger Event) or a free distribution or dividend of such Shares to existing holders of the relevant Shares by way of bonus, capitalisation, recapitalisation or similar issue; (B) a distribution or dividend to existing holders of the relevant Shares of (aa) such Shares, or (bb) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Share Company equally or proportionately with such payments to holders of such Shares, or (cc) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other) at less than the prevailing market price as determined by the Calculation Agent; (C) an extraordinary dividend; (D) a distribution of cash dividends on the Shares equal to or greater than 8 per cent. per annum of the then current market value of the Shares; (E) a call by the Share Company in respect of relevant Shares that are not fully paid; (F) a repurchase by the Share Company of relevant Shares whether out of profits or capital

and whether the consideration for such repurchase is cash, securities or otherwise; or (G) any other similar event that may have a diluting or concentrative effect on the theoretical value of the relevant Shares.

(e) De-listing, Merger Event, Nationalisation and Insolvency. If a De-listing, Merger Event, Nationalisation or Insolvency occurs in relation to the Share Company, the Issuer in its sole and absolute discretion may take the action described in (1), (2) or (3) below:

- (1) require the Calculation Agent to determine in its sole and absolute discretion the appropriate adjustment, if any, to be made to any of the other terms of these Conditions to account for the De-listing, Merger Event, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The Calculation Agent may (but is under no obligation to) determine the appropriate adjustment by reference to the adjustment in respect of the De-listing, Merger Event, Nationalisation or Insolvency made by any Related Exchange to options contracts or futures contracts or other derivatives contracts on the Shares traded on such Related Exchange; or
- (2) cancel the Securities by giving notice to Holders in accordance with General Condition 4. If the Securities are to be cancelled the Issuer will pay an amount to each Holder in respect of each Security held by him which amount shall be the fair market value of a Security (taking into account the De-listing, Merger Event, Nationalisation or Insolvency (as the case may be)) on the day selected for cancellation as shall be selected by the Issuer in its sole and absolute discretion adjusted to account fully for any losses, expenses and costs to the Issuer and/or any affiliate of the Issuer of unwinding or adjusting any underlying or related hedging arrangements (including but not limited to any equity options or selling or otherwise realising any Shares or other instruments of any type whatsoever which the Issuer and/or any of its affiliates may hold as part of such hedging arrangements), all as determined by the Calculation Agent in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Holders in accordance with General Condition 4; or
- (3) following any adjustment to the settlement of terms of options contracts or futures contracts or any other derivatives contracts on the Shares traded on any Related Exchange, require the Calculation Agent to make a corresponding adjustment to any of the other terms of these Conditions, which adjustment will be effective as of the date determined by the Calculation Agent to be the effective date of the corresponding adjustment made by the Related Exchange. If options contracts or futures contracts or other derivatives contracts on the Shares are not traded on the

Related Exchange, the Calculation Agent will make such adjustment, if any, to any of the other terms of these Conditions as the Calculation Agent in its sole and absolute discretion determines appropriate, with reference to the rules and precedents (if any) set by the Related Exchange to account for the De-listing, Merger Event, Nationalisation or Insolvency (as the case may be) that in the determination of the Calculation Agent would have given rise to an adjustment by the Related Exchange if such options contracts or futures contracts or other derivatives contracts were so traded.

Upon the occurrence of a De-listing, Merger Event, Nationalisation or Insolvency, the Calculation Agent shall notify the Holders in accordance with General Condition 4, stating the occurrence of such De-listing, Merger Event, Nationalisation or Insolvency (as the case may be) and the action proposed to be taken in relation thereto.

**"De-listing"**, in this Product Condition 4(e) only, means a Share for any reason ceases to be listed or is suspended from listing on the Exchange or any other exchange on which the Shares are listed (and such cessation or suspension is continuing and such Share is not subsequently listed or quoted on another stock exchange or quotation system acceptable to the Issuer).

**"Merger Date"** means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent.

**"Merger Event"**, in this Product Condition 4(e) only, means any (1) reclassification or change to the Shares that results in a transfer of or an irrevocable commitment to transfer all or a majority of outstanding Shares; (2) consolidation, amalgamation, merger or binding share exchange of a Share Company with or into another entity (other than a consolidation, amalgamation, merger or binding share exchange in which such Share Company is the continuing entity and which does not result in any such reclassification or change to all the outstanding Shares); or (3) take-over offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Shares that results in a transfer of, or an irrevocable commitment to transfer a majority of the voting power in the Share Company to the offeror, in each case if the Merger Date is on or before the relevant Valuation Date.

**"Nationalisation"** means that all the Shares of a Share Company or all the assets or substantially all the assets of a Share Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority or entity.

**"Insolvency"** means that by reason of the voluntary or involuntary liquidation, bankruptcy or insolvency of or any analogous proceeding affecting a Share Company (1) all the Shares are required to be transferred to a receiver, trustee, liquidator or other similar official or (2) holders of the Shares of that Share Company become legally prohibited from transferring them.

(f) Potential Adjustment Events in relation to an Index. The Calculation Agent shall give notice as soon as practicable to the Holders in accordance with General Condition 4 of any determination made by it pursuant to paragraphs (1), (2), (3) or (4) below. In this Product Condition 4(f) **"Potential Adjustment Event"** means:

- (1) If any Index is (A) not calculated and announced by the Index Sponsor but is calculated and published by a successor to the Index Sponsor (the **"Successor Sponsor"**) acceptable to the Calculation Agent; or (B) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the relevant Index, then (in either case) the relevant Index will be deemed to be the index so calculated and announced by such Successor Sponsor or that successor index, as the case may be.
- (2) If (A) on or prior to the relevant Valuation Date the Index Sponsor or, if applicable, the Successor Sponsor makes a material change in the formula for or the method of calculating any Index or in any other way materially modifies an Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent securities or components, as the case may be, and other routine events); or (B) on or prior to the relevant Valuation Date the Index Sponsor or, if applicable, the Successor Sponsor fails to calculate and/or publish any Index; then (in either case) the Calculation Agent shall determine the Index Final Reference Price using, in lieu of a published level for the relevant Index on the relevant Valuation Date, the level for the relevant Index as determined by the Calculation Agent in accordance with the formula for and method of calculating the relevant Index last in effect prior to the change or failure, but using only those (a) in respect of an Index which is not a Commodity Index, securities that comprised the relevant Index immediately prior to the change or failure (other than those securities that have since ceased to be listed on the Exchange or any other exchange on which the Index Shares are listed); or (b) in respect of a Commodity Index, commodity components that comprised the Index immediately prior to the change or failure (other than those components that have since ceased to be traded on the Exchange or any other exchange) or, in the case of a material modification of the Index only,

shall deem such modified Index to be the Index so calculated and announced or shall (if so required by the Issuer), by giving notice in accordance with General Condition 4, terminate the Securities and pay to each Holder in respect of each Security held by such Holder an amount equal to the fair market value of the Security immediately prior to such material modification of the Index less the cost to the Issuer of unwinding any related hedging arrangements (as determined by the Issuer)..

- (3) If, at any time, any of the events specified in (A) to (H) below occurs and the Index Sponsor or, if applicable, the Successor Sponsor has not in the opinion of the Calculation Agent made an appropriate adjustment to the level of the relevant Index (which term excludes, for these purposes of this paragraph (3), any Commodity Index) in order to account fully for such event, notwithstanding that the rules published or applied by the Index Sponsor or, if applicable, the Successor Sponsor pertaining to the Index have been applied, the Calculation Agent shall make such adjustment to the level of the relevant Index as it considers appropriate in order so to account for: (A) a distribution or dividend to existing holders of the Index Shares of (i) the Index Shares; or (ii) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the issuer of the Index Shares equally or proportionately with such payments to holders of the Index Shares of Index Shares or (iii) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price; (B) a free distribution or dividend of any Index Shares to existing holders of the Index Shares by way of bonus, capitalisation or similar issue; (C) an extraordinary dividend; (D) any cash dividends declared on the Index Shares at a time when the relevant issuer of the Index Shares has not previously declared or paid dividends on such Index Shares for the prior four quarterly periods; (E) any non-cash dividends declared on the Index Shares at a time when the relevant issuer of the Index Shares has not previously declared or paid dividends on such Index Shares for the prior four quarterly periods; (F) any other extraordinary cash or non-cash dividend on, or distribution with respect to, the Index Shares which is, by its terms or declared intent, declared and paid outside the normal operations or normal dividend procedures of the relevant issuer of the Index Shares, provided that, in all cases, the related ex-dividend date occurs during the period from but including the Issue Date up to and excluding the relevant Valuation Date; (G) a distribution of cash dividends on the Index Shares equal to or greater than 8 per cent. per annum of the then current market value of the Index Shares; and (H) any other similar event having a dilutive or concentrative effect on the theoretical value of the Index Shares.

- (4) The Issuer reserves the right to issue further Securities, make adjustments or to distribute to the Holders any rights in connection with the Securities as it reasonably believes are appropriate in circumstances where an event or events occur which the Issuer (in its absolute discretion and notwithstanding any adjustments previously made to the Securities) believes should, in the context of the issue of Securities and its obligations hereunder, give rise to such adjustment or distribution, provided that such adjustment is considered by the Calculation Agent either to be appropriate generally (without considering the individual circumstances of any Holder or the tax or other consequences of such adjustment in any particular jurisdiction) or to be required to take account of provisions of the laws of the relevant jurisdiction or the practices of the Exchange. The Issuer, in any event, reserves the right to in its absolute discretion terminate Securities linked to any Proprietary Index by giving notice in accordance with General Condition 4, in the event that the relevant Index Sponsor terminates, cancels or suspends, as the case may be, any such Proprietary Index.
- (g) Fund Events. Each of the following events constitutes a "**Fund Event**". The Fund Events are for the benefit of the Issuer in order that the Issuer is protected against any adverse effects of such Fund Events on its Hedge Position. The Issuer, or the Calculation Agent on its behalf, shall make all determinations in respect of such Fund Events including as to whether such Fund Event has occurred and the effective date of such occurrence. In order to constitute a Fund Event, the Issuer or the Calculation Agent on its behalf must conclude that the event in question either has resulted or is reasonably likely to result in an adverse effect on the value of the Reference Assets or the NAV of the Fund or on the rights of any investor therein with respect to the Reference Assets or the Fund or otherwise has materially adversely affected its Hedge Position.
- (i) Global Events:
- (A) Any of: (a) the investment strategy and/or the investment objective of the Fund has changed so that it is materially different from that applicable at its Inclusion Date or (b) a material change has been made to the underlying nature, strategy or risk of the Fund's portfolio from that which prevailed at its Inclusion Date and that is over and above that expected by the Issuer or the Calculation Agent on its behalf as of the Inclusion Date with respect to the trading strategies employed by the Fund as of that date or (c) the operation or organisation of the Fund or the Fund Adviser (including, without limitation, its organisational structure and its procedures, processes or policies in respect of investment selection, due diligence, asset allocation,

risk management or investment monitoring) has changed from that at the Inclusion Date or are other than as represented at such Inclusion Date or (d) any such procedures, processes or policies as are referred to in (c) above are either not being applied or are not being applied consistently with their application on the Inclusion Date or (e) an event or change affecting any of the structure, ownership, management or reputation or liquidity of the Fund or the Reference Assets and/or any other units in the capital of the Fund and/or any Fund Service Provider occurs or (f) any other amendments, changes, modifications or variations are made after the Inclusion Date to any of the Fund Documents, the Fund Prospectus or the Portfolio Guidelines.

- (B) (a) the Fund is not being managed in accordance with the Fund Documents and/or the Fund Prospectus as they prevailed on the Inclusion Date, and no action satisfactory to the Issuer or the Calculation Agent on its behalf has been taken by the Fund or any person on its behalf with a view towards correcting such breach within five calendar days from the date on which the Fund was notified of the breach, or (b) any event occurs which causes, or will with the passage of time (in the opinion of the Issuer or the Calculation Agent on its behalf) cause, the failure of the Fund and/or any Fund Service Provider to meet or maintain any obligation or undertaking under the Fund Documents.
- (C) The Issuer or the Calculation Agent on its behalf determines that (a) the obligations of any of the Fund or any Fund Service Provider or the directors of the Fund under any Hedging Agreement do not comprise legal, valid and binding obligations of such person, enforceable in accordance with their terms or (b) any of the Fund or any Fund Service Provider was acting outside its powers or authority in executing any Hedging Agreement or in making any agreement or undertaking therein. Each of (a) and (b) shall be conclusively presumed to be the case if the Issuer or the Calculation Agent on its behalf is advised that such is the case by reputable legal counsel having expertise in such matters.
- (D) The activities of the Fund or any Fund Service Provider and/or any of their respective directors, officers, employees or agents are placed under review or become subject to any investigation, proceeding or litigation by any relevant governmental, legal, administrative or regulatory authority or court of competent jurisdiction and/or are subject to any charges or actions by any

governmental, legal, administrative or regulatory authority for reasons of wrongdoing, suspected wrongdoing, alleged engagement in fraudulent activities, breach of any rule or regulation or other similar reason and/or the Fund or any Fund Service Provider and/or any of their respective directors, officers, employees or agents have any of their respective registrations, approvals, authorisations, licences or memberships with any administrative or regulatory authorities revoked, suspended, terminated, limited or qualified.

- (E) Written notification is given by the Fund or any Fund Service Provider (or any person acting on behalf thereof) to holders of Reference Assets or to the Fund Administrator of a proposed cessation of operation of the Fund or the Fund or any Fund Service Provider (a) is dissolved or has a resolution passed for its dissolution, winding-up, official liquidation; (b) makes a general assignment or arrangement with or for the benefit of its creditors; (c) (I) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organization or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official, or (II) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in Product Condition 4(g)(i)(E)(c)(I) above and in the case of this Product Condition 4(g)(i)(E)(c)(II) either (x) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (y) is not dismissed, discharged, stayed or restrained in each case within fifteen days of the institution or presentation thereof; (d) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or a substantial part of its assets; (e) any security granted by the Fund or any Fund Service Provider over any of its assets is enforced or becomes capable of being enforced or any arrangement which in the determination of the Issuer or the Calculation

Agent on its behalf is comparable to security over any such assets (including without limitation any repurchase agreement or prime brokerage arrangement) becomes enforceable or capable of early termination or any derivatives, repurchase agreement, securities lending or other trading or dealing arrangement relating to the assets of the Fund becomes enforceable or capable of early termination by reason of any event of default (howsoever described) relating to the Fund or the relevant Fund Service Provider; or (f) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in Product Conditions 4(g)(i)(E)(a) through 4(g)(i)(E)(f) above.

- (F) The Fund or any Fund Service Provider becomes party to any litigation or dispute.
- (G) Any Merger Event occurs or is threatened.
- (H) The Fund or any Fund Service Provider has experienced or is experiencing a material adverse change in its business, assets, operations or financial condition which adversely impacts its ability to provide services to the Fund and/or the quality of such services.
- (I) In respect of any Reference Assets, any fraudulent or negligent entry is made on the register of such Reference Assets maintained by or on behalf of the Fund or there is a reduction in the number of such Reference Assets held for the account of any investor in the Fund for reasons beyond the control of that investor.
- (J) (a) any change occurs in the legal, tax, accounting or regulatory treatment of (i) the Issuer, any of its affiliates or any Hedge Provider by reason of its investment in the Fund or the Reference Assets or (ii) the Fund or any Fund Service Provider, in each case from that which was applicable at the Inclusion Date or (b) the Issuer or the Calculation Agent on its behalf determines that any of Issuer, its affiliates or any Hedge Provider is or may in the future be unable, or it may be unduly onerous or impractical for any such entity, to perform any obligation (including, without limitation, any regulatory or accounting reporting obligation) imposed on any such entity by the law or regulation of any relevant jurisdiction, any relevant regulatory or administrative body or any court of competent jurisdiction, in each case by reason of its investment in the Fund or the Reference Assets or (c) the Issuer, any of its affiliates or any Hedge Provider deems it necessary or

appropriate, in order to comply with or remain within (i) any applicable legal and/or regulatory limits on the amounts of Reference Assets that it may hold and/or (ii) any internal exposure limits governing the maximum exposure (direct and indirect) that the Issuer, any relevant affiliate or the Hedge Provider as the case may be, is permitted to have to the Fund, to redeem all or some of the Reference Assets held by them.

- (K) A cross-contamination or other failure effectively to segregate the portfolio of assets occurs between different series, classes and/or sub-funds in relation to the Fund (if the Fund is part of an umbrella structure with more than one sub-fund).
  - (L) A significant market, trading or exchange disruption and/or crisis in the major financial markets occurs.
- (ii) NAV/Price and Reporting:
- (A) There is (a) a failure to calculate and/or publish the NAV of the Fund on any day on which such calculation or publication was scheduled to be made in accordance with the Fund Documents and/or the Fund Prospectus as they prevailed on the Inclusion Date or (b) a failure to calculate and publish the NAV of the Fund with the frequency set out in the Fund Documents and/or the Fund Prospectus as they prevailed on the Inclusion Date or (c) where the Fund is an exchange traded fund, a failure to publish the trading price of the Reference Assets on the Exchange.
  - (B) (a) Any change is made to the methodology used for calculating either the NAV of the Fund or any estimate of the NAV of the Fund from that which prevailed on the Inclusion Date or (b) there is a failure to calculate and deliver any estimate of the NAV of the Fund in accordance with the timing within which such information has previously been provided to the Issuer, the Calculation Agent, any of its affiliates or any Hedge Provider.
  - (C) (a) The time delay between calculation of the NAV (or any estimated NAV) of the Fund and the publication of such NAV (or estimated NAV) is changed so that it is no longer the same as set out in the Fund Prospectus as it prevailed on the Inclusion Date or (b) any other information relating to the Fund that was specified to be published in accordance with the Fund Documents or the Fund Prospectus as they respectively prevailed on the Inclusion Date is not published in accordance with the timetable therefor set out in such documents.

- (D) The audited NAV of the Fund varies by more than 0.50 per cent. from the related NAV previously published by or on behalf of the Fund, or the auditors of the Fund qualify any audit report, or refuse to provide an unqualified audit report, in respect of the Fund, or the Issuer or the Calculation Agent on its behalf considers that the unaudited official NAV of the Fund published by or on behalf of the Fund in respect of any date does not reflect the NAV of such Fund as it would have been determined by the independent auditors of that Fund using the generally accepted accounting standards adopted by the Fund.
- (E) (i) In respect of any Reference Asset, the occurrence of any event affecting such Reference Asset that, in the determination of the Issuer or the Calculation Agent on its behalf, would make it impossible or impracticable for the Issuer or the Calculation Agent to determine the value of such Reference Asset, and the Issuer or the Calculation Agent on its behalf determines that such event will not be, or has not been, resolved within 15 calendar days from the occurrence of such event; (ii) any failure of the Fund, any Fund Service Provider or any director of the Fund to deliver, or cause to be delivered, (A) information that such person has agreed to deliver, or cause to be delivered, to the Issuer, the Calculation Agent, any of the Issuer's affiliates or any Hedge Provider in respect of the Fund (including, without limitation, any information required by the Issuer or the Calculation Agent in the execution of its duties and obligations under the Securities or required by the Issuer or the Calculation Agent in order to determine whether any Fund Event has occurred or to make any other determination permitted by it in respect of the Securities) or (B) information that has been previously delivered to the Issuer, the Calculation Agent, any of the Issuer's affiliates or any Hedge Provider, in accordance with such person's, or its authorised representative's, normal practice and that the Issuer or the Calculation Agent deems necessary for it to perform its duties and obligations under the Securities or that the Issuer or the Calculation Agent deems is required by it in order to determine whether any Fund Event has occurred or to make any other determination permitted by it in respect of the Securities (including, in either case, monitoring the Fund's compliance with any Portfolio Guidelines, asset allocation methodologies, the occurrence of any Fund Event or any other similar policies relating to such Reference Assets).

(iii) Reference Assets:

Any of the following events relating to the Reference Assets occurs:

- (A) a subdivision, reclassification or distribution of Reference Assets which has a diluting or concentrative or other effect on the value (theoretical or otherwise) of the Reference Assets;
- (B) a portion of each Reference Asset is converted (whether by way of redemption and re-issue or otherwise) into new securities participating in the capital of the Fund, which securities are subject to lock-up periods during which they may not be redeemed and which relate to any segregated assets of the Fund, or the Fund creates any other form of "side-pocket" which affects the Reference Assets;
- (C) a (i) dividend (including cash and whether ordinary or extraordinary), (ii) distribution or (iii) issue of Reference Assets, capital, securities, rights or other assets or interests to existing holders of Reference Assets which has or is likely to have an adverse effect on the value (theoretical or otherwise) of the Reference Assets;
- (D) any suspension or limitation on the trading of the relevant currencies in which the Reference Assets are denominated or any amendment to the currency of denomination of the Reference Assets so that their price is no longer calculated in the same currency as at the Inclusion Date of the Fund;  
or

(iv) Trading and Fees:

- (A) In respect of the Reference Assets, the Fund or any Fund Service Provider increases the level of any redemption fee, subscription fee, management fee, performance fee or a bid/offer spread (or other charge however described) above the level that would have been applicable to any Reference Assets held by any of the Issuer, any affiliate of the Issuer or any Hedge Provider on the Inclusion Date (regardless of whether any such person actually holds any Reference Assets as of such date).
- (B) Any suspension of or limitation imposed on trading of the Fund or on trading in the Reference Assets (for any reason, including, without limitation, by reason of liquidity restrictions) or any dealing request made by any investor or prospective investor in the Fund or the Reference Assets is deferred in whole or in part or is made at a value other than the related NAV or price, as applicable.

- (C) The frequency at which Reference Assets can be traded is amended or the timing for subscription or redemption of Reference Assets is amended, in each case so that it is no longer that specified in the Fund Documents and/or Fund Prospectus as they prevailed on the Inclusion Date, including, without limitation, an amendment to the timetable for payment of redemption proceeds upon redemption.
- (D) If any of the Issuer, any of its affiliates or any Hedge Provider redeems Reference Assets or is entitled to any other amount and:
  - (I) does not receive the full proceeds of such redemption or amount in cash in accordance with the timing set out in the Fund Documents or the Fund Prospectus; or
  - (II) receives any in-kind distribution in full or part satisfaction of the redemption proceeds or such other amount paid or payable to it,or the Issuer or the Calculation Agent on its behalf determines that either (I) or (II) above would be applicable were the Issuer, any of its affiliates or any Hedge Provider to redeem Reference Assets or be entitled to actual payment of any such other amount.
- (v) Fund Adviser and Fund Service Provider Failures:
  - (A) The Fund Adviser indicates or acknowledges that in its opinion the strategy/investment objective of the Fund will not be, or is no longer able to be, met.
  - (B) Any representations, covenants or agreements of the Fund Adviser under the investment management agreement or investment advisory agreement (howsoever described) relating to the Fund have been breached and not cured.
  - (C) Any of: (a) the resignation, termination of appointment or replacement of the Fund Adviser from its role as such occurs or the resignation, termination of appointment or replacement of any other Fund Service Provider from its role as such occurs with respect to the Fund or (b) any change in the personnel of any Fund Service Provider occurs which the Issuer or the Calculation Agent on its behalf considers materially adversely affects the ability of such Fund Service Provider to carry out its duties with respect to the Fund.

(D) The Issuer or the Calculation Agent on its behalf becomes aware of any failure by the Fund or any person on its behalf to disclose to the Issuer or the Calculation Agent on its behalf, on or before the Inclusion Date, any information, event or circumstance that was in existence on such date and that would have been necessary to enable the Issuer or the Calculation Agent to make an informed assessment of the assets and liabilities, financial position and prospects of the Fund and of the rights attaching to the Reference Assets.

(vi) General: Any other event occurs which the Issuer or the Calculation Agent on its behalf determines is analogous to any of the events specified in sub-paragraphs (i) to (v) above.

(h) Consequences of a Fund Event.

In respect of each Fund Event, following the occurrence of such an event (and regardless of whether or not such event is then continuing) the Issuer or the Calculation Agent on its behalf may take any of following actions (each, a “**Permitted Action**”):

(i) (A) make such adjustments to any variable, calculation methodology, valuation, settlement or payment terms or any other terms and conditions of the Securities as the Issuer or the Calculation Agent on its behalf determines appropriate to account for the economic effect on the Securities of such Fund Event and (B) determine the effective date of the relevant adjustments; or

(ii) select a Replacement Fund and a Substitution Date. Following any such selection (A) the Replacement Fund shall replace the affected Fund on the Substitution Date, (B) references herein to the name of the affected Fund shall be deemed to be references to the name of the Replacement Fund with effect from the Substitution Date and (C) the Issuer or the Calculation Agent on its behalf may make such adjustment as it determines to be appropriate, if any, to any variable, calculation methodology, valuation, settlement or payment terms or any other terms and conditions in relation to the Securities to reflect such substitution; or

(iii) terminate all, but not some only, of the Securities, on the date notified to Holders in accordance with General Condition 4 and redeem the Securities at their fair market value immediately prior to such Fund Event less (i) the cost to the Issuer of unwinding any related hedging and funding arrangements (as determined by the Issuer); and (ii) the deduction of taxes, expenses and other similar charges; or

(iv) make such adjustments to any variable, calculation methodology, valuation, settlement or payment terms or any other terms and conditions of the Securities as

the Issuer or the Calculation Agent on its behalf determines are necessary to reflect a notional liquidation of all of the Reference Assets (with the timing of such notional liquidations being the same timing as would be the case on an actual liquidation of Reference Assets at the relevant time) and a notional investment of the liquidation proceeds in either (A) a zero coupon bond, or equivalent, such that, if the proceeds allow, the amount payable at redemption of such zero coupon bond is at least an amount per Security equal to the Issue Price of the Security, (B) an interest bearing deposit bearing interest at prevailing rates that would be offered by the Issuer in respect of such a deposit as determined by the Issuer or the Calculation Agent on its behalf, or (C) commercial paper rated at least A1/P1 or above by Moody's Investors Service, Inc. (any transaction costs that would be incurred in respect of an actual such investment may be notionally charged to the Securities) (any of (A), (B) or (C), a "**Suspension Asset**").

Notwithstanding that the Issuer or the Calculation Agent on its behalf may have previously determined not to take a Permitted Action, or to take one Permitted Action, it shall not be prevented from subsequently or concurrently deciding to adopt an additional or different Permitted Action in respect of the same Fund Event (whether on one or any number of occasions). In such respect, the Issuer or the Calculation Agent on its behalf may make such adjustments to any variable, calculation methodology, valuation, settlement or payment terms or any other terms and conditions of the Securities as it determines appropriate to account for the decision subsequently or concurrently made.

Notwithstanding anything in this sub-paragraph 4(g), neither the Issuer nor the Calculation Agent is under any obligation to determine that a Fund Event has occurred or to take any or all of the Permitted Actions. Any determinations made by the Issuer or the Calculation Agent on its behalf in respect of any of the Permitted Actions shall, in the absence of manifest error, be binding.

- (i) Fund Event Methodology and Determinations:
  - (i) If, in respect of any determination or calculation hereunder which is made by reference to an official or estimated NAV of a Fund provided or published by or on behalf of the Fund or, where the Fund is an exchange traded fund, the last reported trading price of the Reference Asset on the Exchange in respect of a particular date, the Issuer or the Calculation Agent on its behalf determines that such value does not fairly represent the value of the Fund or Reference Asset as of such date, or that no such value is provided or published, then the Issuer or the Calculation Agent on its behalf may use such other value as it determines as representing a fair NAV or

price, as applicable, as of such date or, alternatively, may use a preceding official or estimated value where it believes that such preceding official or estimated value gives a fairer representation than the more recent figure.

- (ii) Should the Fund operate equalisation procedures in respect of performance or incentive based fees, the Issuer or the Calculation Agent on its behalf may make such adjustments to these Product Conditions as the Issuer or the Calculation Agent on its behalf determines appropriate to account for such equalisation in an equitable manner and, where such equalisation procedures operate by the issuance of different classes of shares in the Fund, then each of the Issuer and the Calculation Agent is permitted to deem any notional subscription or redemption on behalf of the Securities to be in such order and in respect of such classes as appear to it to be equitable and reasonable or to deem the return of such shares to be based on a benchmark or average of the different classes.
- (iii) For the avoidance of doubt and notwithstanding any other Condition, the Issuer and the Calculation Agent on its behalf shall be entitled to make any determination, waiver, declaration or decision with regard to a Fund Event and, without limitation, may make such determination, waiver, declaration or decision by reference to the establishment, operation and/or efficacy (whether actual or anticipated) of any Relevant Hedging Transaction. Neither the Issuer nor the Calculation Agent is under any obligation to monitor or determine whether or not a Fund Event has occurred and will not be required to, and will not be responsible for any failure to, make any determination, waiver, declaration or decision whatsoever in relation to a Fund Event. In making or omitting to make any such determination, waiver, declaration or decision, neither the Issuer nor the Calculation Agent shall be under any fiduciary duty towards the Holders and, for the avoidance of doubt, neither the Issuer nor the Calculation Agent shall be responsible for any loss, underperformance or opportunity cost suffered or incurred by Holders in connection with the Securities as a result thereof, howsoever arising.

(j) Adjustments to the Basket

If a De-Listing occurs with respect to a Fund or a Share, as applicable or a Fund or a Share, as applicable is for any reason cancelled or ceases to exist, the Calculation Agent may determine in its sole discretion to either (A) replace the de-listed or cancelled Fund or Share, as applicable by a successor fund or share, as applicable which has in the determination of the Calculation Agent the same or substantially similar structure and a substantially similar economic impact, and is linked to the same asset as such Fund or Share, as applicable (B) remove the de-listed or cancelled Fund or Share, as applicable and allocate the Fund Final

Reference Price or Share Final Reference Price, as applicable of such Fund or Share, as applicable as of the effective date of the de-listing or cancellation, pro rata to the remaining Funds or Shares, as applicable or (C) make such other adjustments to the Conditions as the Calculation Agent sees fit, acting in its absolute discretion.

The Calculation Agent shall give notice as soon as practicable to the Holders in accordance with General Condition 4 of any determination made pursuant to the foregoing paragraph.

“**De-listing**” means, for the purpose of the foregoing paragraph, a Basket Constituent for any reason ceases to be listed or is suspended from listing on the Exchange or any other exchanges on which the Basket Constituents are listed (and such cessation or suspension is continuing and such Basket Constituent is not subsequently listed or quoted on another stock exchange or quotation system acceptable to the Issuer).

- (k) The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determinations. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

## 5. EFFECT OF FINAL TERMS

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

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**CONDITIONS: PRODUCT CONDITIONS**  
**RELATING TO MULTI-ASSET BASKET LINKED NOTES III**

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*The Product Conditions which follow relate to the Securities and must be read in conjunction with, and are subject to, the applicable Final Terms and the General Conditions (whether or not attached to this document). The applicable Final Terms, the Product Conditions and the General Conditions together constitute the Conditions of the Securities and will be printed on any Definitive Securities and attached to any Global Security representing the Securities.*

1. DEFINITIONS

“**Additional Fund Events**” means those events specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Additional Market Disruption Events**” means those events specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Agent**” means the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and together, the “**Agents**”, which expression shall include any other Agent appointed pursuant to the provisions of General Condition 12;

“**Basket**” means the basket specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Basket Constituent**” means each Certificate, Commodity, FX Rate, Share, Fund (including, where the Fund is an exchange traded fund, the Reference Asset) or Index, as the case may be, specified as such in the definition of Basket, and “**Basket Constituents**” means each or all of the Certificates, Commodities, FX Rates, Shares, Funds (including, where the Fund is an exchange traded fund, the Reference Assets) and Indexes as the case may be;

“**Basket Constituent Currency**” means, in relation to each Basket Constituent in the applicable Final Terms, the currency specified as such in the definition of the Basket;

“**Basket Return**” means an amount calculated by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Business Day**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business;

“**Cash Amount**” means an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The

Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

“**Certificate**” means each certificate specified as such in the definition of the Basket in the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Certificate Final Reference Price**” (“**CertFRP**”) means in respect of each Certificate, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Certificate Reference Price on the Valuation Date;

“**Certificate Initial Reference Price**” (“**CertIRP**”) means, in respect of each Certificate, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Certificate Reference Price on the Pricing Date;

“**Certificate Reference Price**” means in respect of each Certificate, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, an amount, subject to adjustment in accordance with Product Condition 4, equal to the price of the Certificate at the Valuation Time on a Trading Day, as determined by or on behalf of the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such price can be determined and no Market Disruption Event has occurred and is continuing) an amount determined by the Calculation Agent as its good faith estimate of the price of the Certificate on such date having regard to the then prevailing market conditions, the last reported trading price of the Certificate on the Exchange and such other factors as the Calculation Agent determines to be relevant;

“**Certificate Return**” means an amount calculated by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Clearing Agent**” means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a “**Clearing Agent**” and together the “**Clearing Agents**”);

“**Commodity**” means each commodity specified as such in the definition of the Basket in the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Commodity Index**” means the commodity index (if any) specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Commodity Final Reference Price**” (“**CFRP**”) means in respect of each Commodity, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Commodity Reference Price on the Valuation Date;

“**Commodity Initial Reference Price**” (“**CIRP**”) means, in respect of each Commodity, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Commodity Reference Price on the Pricing Date;

“**Commodity Reference Price**” means in respect of each Commodity, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, an amount, subject to adjustment in accordance with Product Condition 4, equal to the price of the Commodity at the Valuation Time on a Trading Day, as determined by or on behalf of the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such price can be determined and no Market Disruption Event has occurred and is continuing) an amount determined by the Calculation Agent as its good faith estimate of the price of the Commodity on such date having regard to the then prevailing market conditions, the last reported trading price of the Commodity on the Exchange and such other factors as the Calculation Agent determines to be relevant;

“**Commodity Return**” means an amount calculated by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Coupon**” means, if the Securities are interest bearing, an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount;

“**Emerging Market Disruption Event**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

- (i) **Moratorium.** A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or
- (ii) **Price Source Disruption.** It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or
- (iii) **Governmental Default.** With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (A) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (B) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (C) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made

without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or

- (iv) Inconvertibility/non-transferability. The occurrence of any event which (A) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (B) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or
- (v) Nationalisation. Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or
- (vi) Illiquidity. It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or
- (vii) Change in Law. A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or
- (viii) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or
- (ix) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency, or where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or
- (x) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities;

“**Exchange**” means, (i) with respect to each Certificate, Commodity, Fund which is an exchange traded fund or Share, the exchange or quotation system specified as such in the definition of Basket in the definition of the relevant Series in the applicable Final Terms or any successor to such exchange or quotation system and (ii) with respect to each Index which is not a Commodity Index, each exchange or quotation system from which the Index Sponsor takes the prices of the shares that comprise the Index (the “**Index Shares**”) to compute the Index or any successor to such exchange or quotation system or (iii) with respect to each Index

which is a Commodity Index, the exchange or quotation system or any substitute exchange or quotation system in which trading of the futures or options contracts in the Index or its components principally occurs or the exchange or quotation system where trading has a material effect on the overall market for futures or options contracts relating to the Index or its components, in each case as determined by the Issuer, acting in good faith;

“**Expenses**” means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security;

“**Exchange Rate**” means, in relation to each Basket Constituent and where applicable, the rate of exchange between the relevant Basket Constituent Currency and the Settlement Currency as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonable determine to be appropriate at such time;

“**Final Terms**” means the document containing the specific terms relating to the Securities;

“**Fund**” means each fund (including exchange traded funds) specified as such in the definition of Basket in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Fund Administrator**” means, in respect of the Fund, the fund administrator, manager, trustee or similar person with the primary administrative responsibilities for such Fund according to the Fund Documents;

“**Fund Adviser**” means, in respect of any Fund, any person appointed in the role of discretionary investment manager or non-discretionary investment adviser (including a non-discretionary investment adviser to a discretionary investment manager or to another non-discretionary investment adviser) for such Fund;

“**Fund Documents**” means, with respect to any Fund or Reference Asset, the constitutive and governing documents, subscription agreements and other agreements of the related Fund or Reference Asset specifying the terms and conditions relating to such Fund or Reference Asset and which shall include any Hedging Agreement, each as amended from time to time;

“**Fund Event**” means each event specified as such in Product Condition 4(k), any Potential Fund Event and any Additional Fund Event specified in the definition of the relevant Series in the applicable Final Terms;

“**Fund Final Reference Price**” (“**FFRP**”) means in respect of each Fund, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Fund Reference Price on the Valuation Date;

“**Fund Initial Reference Price**” (“**FIRP**”) means, in respect of each Fund, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms the Fund Reference Price on the Pricing Date;

“**Fund Prospectus**” means the disclosure document howsoever described prepared in connection with the marketing of the Fund and, in relation to any Replacement Fund, means the disclosure document howsoever

described prepared in connection with the marketing of the Replacement Fund and that, as of the Inclusion Date, was the most recent version thereof, each as amended from time to time;

“**Fund Reference Price**” means in respect of each Fund, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, an amount equal to the NAV of such Fund as quoted by the fund manager or, where such Fund is an exchange traded fund, the trading price of the Reference Asset on the Exchange, in each case at the Valuation Time on a Trading Day, as determined by or on behalf of the Calculation Agent without regard to any subsequently published correction, or (if in the determination of the Calculation Agent, no such price on NAV (as the case may be) can be determined and no Emerging Market Disruption Event or Fund Event has occurred and is continuing) an amount determined by the Calculation Agent as its estimate of the NAV of such Fund or, where such Fund is an exchange traded fund, the trading price of the Reference Asset on the Exchange, in each case having regard to the then prevailing market conditions, the last reported NAV of such Fund or, where such Fund is an exchange traded fund, the trading price of the Reference Asset on the Exchange and such other factors as the Calculation Agent determines relevant;

“**Fund Return**” means an amount calculated by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Fund Service Provider**” means, in respect of any Fund, any person who is appointed to provide services, directly or indirectly, for that Fund, whether or not specified in the Fund Documents or the Fund Prospectus, including but not limited to any Fund Adviser, Fund Administrator, operator, management company, depository, custodian, sub-custodian, prime broker, trustee, registrar and transfer agent or domiciliary agent;

“**FX Rate**” means each rate of exchange specified as such in the definition of the Basket in the relevant Series in the applicable Final Terms, as determined by the Calculation Agent by reference to the Screen Page (if any) or to such other sources as the Calculation Agent may reasonably determine to be appropriate at such time, subject to Product Condition 4;

“**FX Rate Final Reference Price**” (“**FXFRP**”) means in respect of each FX Rate, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the FX Rate Reference Price on the Valuation Date;

“**FX Rate Initial Reference Price**” (“**FXIRP**”) means, in respect of each FX Rate, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the FX Rate Reference Price on the Pricing Date;

“**FX Rate Reference Price**” means in respect of each FX Rate, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, an amount, subject to adjustment in accordance with Product Condition 4, equal to the FX Rate at the Valuation Time on a Trading Day, as determined by or on behalf of the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such price can be determined and no Market Disruption Event

has occurred and is continuing) an amount determined by the Calculation Agent as its good faith estimate of the FX Rate on such date having regard to the then prevailing market conditions, the last reported FX Rate and such other factors as the Calculation Agent determines to be relevant;

“**FX Rate Return**” means an amount calculated by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Government Authority**” is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate;

“**Hedging Agreement**” means any agreement, whether by way of side letter or otherwise, in respect of any hedging arrangement entered into between: (a) the Issuer, any of its affiliates or any Hedge Provider; and (b) the Fund, the Fund Adviser, any other Fund Service Provider or the directors of the Fund;

“**Inclusion Date**” means (i) in respect of the Fund, the Issue Date and (ii) in respect of any Replacement Fund, means the Substitution Date of that Fund;

“**Index**” means each index or Commodity Index specified as such in the definition of the Basket in the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Index Final Reference Price**” (“**IFRP**”) means in respect of each Index, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Index Reference Price on the Valuation Date;

“**Index Initial Reference Price**” (“**IIRP**”) means, in respect of each Index, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Index Reference Price on the Pricing Date;

“**Index Reference Price**” means in respect of each Index, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the level of the Index at the Valuation Time on a Trading Day, as determined by the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such level can be determined and no Market Disruption Event has occurred and is continuing) a level determined by the Calculation Agent as its good faith estimate of the official closing level of the Index on such date having regard to the then prevailing market conditions, the last reported trading price(s) of (a) the Index Shares (in respect of an Index which is not a Commodity Index) or (b) the components of the Index (in respect of a Commodity Index) and such other factors as the Calculation Agent determines relevant;

“**Index Return**” means an amount calculated by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Index Sponsor**” means the corporation or other entity that (i) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Index

and/or (ii) announces (directly or through an agent) the level of the relevant Index on a regular basis during each Trading Day and references to Index Sponsor shall include any successor index sponsor pursuant to Product Condition 4;

“**Interest Amount**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount, an amount calculated by the Calculation Agent as follows:

$$\text{Nominal Amount} \times \text{Interest Rate} \times \text{Interest Rate Day Count Fraction};$$

“**Interest Payment Dates**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Interest Period**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date or the Issuer Call Date, as the case may be, and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date or the Issuer Call Date, as the case may be;

“**Interest Rate**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, the rate specified as such, or determined in accordance with the formula specified, in the definition of the relevant Series in the applicable Final Terms;

“**Interest Rate Day Count Fraction**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms;

“**Issue Date**” means the date specified as such in the applicable Final Terms;

“**Issuer**” means The Royal Bank of Scotland Group plc incorporated in Scotland with its statutory seat in Edinburgh;

“**Issuer Call**” means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the termination of the Securities by the Issuer in accordance with Product Condition 3(b);

“**Issuer Call Cash Amount**” means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the amount specified, or determined by the Calculation Agent in accordance with the formula specified, in the definition of Issuer Call Cash Amount for the relevant Series in the applicable Final Terms, less Expenses. The Issuer Call Cash Amount payable to a Holder shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

**“Issuer Call Commencement Date”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the date specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Issuer Call Date”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each date specified as such in the definition of the relevant Series in the applicable Final Terms or, if no such date is specified, the date specified as such in the notice delivered by the Issuer in accordance with Product Condition 3 and, if such day is not a Trading Day, means the first succeeding Trading Day unless, in the determination of the Issuer or the Calculation Agent on its behalf either:

- (i) a Market Disruption Event has occurred on that day with respect to any Basket Constituent in which case the Issuer Call Date shall be the first succeeding Trading Day on which the Issuer or the Calculation Agent on its behalf determines that there is no Market Disruption Event unless the Issuer or the Calculation Agent on its behalf determines that there is a Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Issuer Call Date. In that case (A) the last day of the Relevant Number of Trading Days shall be deemed to be the Issuer Call Date (regardless of the Market Disruption Event); and (B) the Issuer or the Calculation Agent on its behalf shall determine the Issuer Call Cash Amount having regard to the then prevailing market conditions, the last reported trading price of the Basket Constituent or, where the Basket Constituent is an exchange traded fund, the last reported trading price of the Reference Asset on the Exchange, and such other factors as the Issuer or the Calculation Agent on its behalf deems relevant; or
- (ii) a Fund Event has occurred on any such day, in which case the provisions of Product Condition 4(k) shall apply and the Issuer Call Date shall be adjusted accordingly;

**“Issuer Call Notice Period”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the period specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Market Disruption Event”** means each event specified as such in Product Condition 4, any Additional Market Disruption Events specified in the definition of the relevant Series in the applicable Final Terms and any Emerging Market Disruption Event;

**“Maturity Date”** means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Merger Event”** means, in respect of any relevant shares, units or interests issued by a Relevant Party, any (i) reclassification or change of such shares, units or interests that results in a transfer of or an irrevocable commitment to transfer all of such shares, units or interests outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of such Relevant Party with or into another

entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Relevant Party is the continuing entity and which does not result in a reclassification or change of all of such shares, units or interests outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding shares, units or interests of such Relevant Party that results in a transfer of or an irrevocable commitment to transfer all such shares, units or interests (other than such shares, units or interests owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Relevant Party or its subsidiaries with or into another entity in which the Relevant Party is the continuing entity and which does not result in a reclassification or change of all such shares, units or interests outstanding but results in the outstanding shares, units or interests (other than shares, units or interests owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding shares, units or interests immediately following such event;

“**NAV**” means net asset value;

“**Nominal Amount**” means the amount specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Participation**” means the amount specified as such in the applicable Final Terms;

“**Payment Day**” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign exchange currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET 2) System is open;

“**Portfolio Guidelines**” means the investment guidelines and restrictions specified in respect of a Fund and as set out in the relevant Fund Prospectus and/or the relevant Fund Documents;

“**Potential Fund Event**” means any event or circumstance which would or may (with the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing), in the determination of the Calculation Agent, constitute or cause a Fund Event or where the Calculation Agent reasonably believes in good faith that a Fund Event may have occurred but does not at that time have evidence thereof;

“**Pricing Date**” means the date or dates specified as such in the applicable Final Terms, subject to adjustment by the Issuer or the Calculation Agent on its behalf in adverse market conditions if, in the opinion of the Issuer or the Calculation Agent on its behalf, circumstances so required;

“**Reference Asset**” means the relevant interests in each Fund or if the Fund is an exchange traded fund the relevant interests specified as “Reference Assets” in the definition of Basket in the applicable Final Terms, subject to Product Condition 4;

**“Real Estate Index Return”** means an amount calculated by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Related Exchange”** means in respect of each Commodity, Share or each Index, an options or futures exchange or quotation system on which options contracts or futures contracts or other derivatives contracts on the Commodity, Shares or the Index are traded;

**“Relevant Currency”** means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying, is located provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt (“**ADR**”) or Global Depositary Receipt (“**GDR**”), the constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition;

**“Relevant Currency Exchange Rate”** means each rate of exchange between the Relevant Currency and the Settlement Currency, or where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time;

**“Relevant Number of Trading Days”** means the number of Trading Days, if any, specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Relevant Party”** means each of the Fund and the Fund Adviser;

**“Replacement Fund”** means, in relation to a Fund, the fund selected by the Issuer or the Calculation Agent on its behalf to replace that Fund in accordance with Product Condition 4(k)(ii). Such Replacement Fund will have a similar risk profile as the Fund replaced, as determined by the Issuer or the Calculation Agent on its behalf.

**“Screen Page”** means each page, if any, specified as such in the definition of the Basket in the relevant Series in the applicable Final Terms or any successor to any such page which contains the same information;

**“Securities”** means each Series of the notes specified in the applicable Final Terms and each such note a **“Security”**. References to the terms **“Securities”** and **“Security”** shall be construed severally with respect to each Series specified in the applicable Final Terms;

**“Series”** mean each series of Securities set out in the applicable Final Terms;

**“Settlement Currency”** means the currency specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Settlement Date**” means, unless specified otherwise in the applicable Final Terms, the Maturity Date or if later, the third Business Day following the Valuation Date or Issuer Call Date, as applicable;

“**Share**” means each share specified as such in the definition of Basket in the relevant Series in the applicable Final Terms, subject to Product Condition 4 and “**Shares**” shall be construed accordingly;

“**Share Company**” means for each Share, the share company specified as such in the applicable Final Terms, subject to Product Condition 4;

“**Share Final Reference Price**” (“**SFRP**”) means in respect of each Share, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Share Reference Price on the Valuation Date;

“**Share Initial Reference Price**” (“**SIRP**”) means, in respect of each Share, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Share Reference Price on the Pricing Date;

“**Share Reference Price**” means in respect of each Share, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the price determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, as determined by or on behalf of the Calculation Agent without regard to any subsequently published correction unless, in the determination of the Calculation Agent, no such price can be determined and no Market Disruption Event has occurred and is continuing an amount determined by the Calculation Agent as its good faith estimate of the price of the Share on such date having regard to the then prevailing market conditions, the last reported trading price of such Share on the Exchange and such other factors as the Calculation Agent determines relevant, subject to adjustment in accordance with Product Condition 4;

“**Share Return**” means an amount calculated by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Standard Currency**” means unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time;

“**Substitution Date**” means, in relation to a Fund, the date selected by the Issuer or the Calculation Agent on its behalf for the replacement of the Fund by a Replacement Fund.

“**Trading Day**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, (i) with respect to each Certificate, Commodity or Share, any day that is (or but for the occurrence of a Market Disruption Event, would have been) a trading day on each Exchange or Related Exchange other than a day on which trading on the Exchange or Related Exchange is scheduled to close

prior to its regular weekday closing time, (ii) with respect to a Fund, any day (or, but for the occurrence of a Fund Event, would have been a day) on which trading in the Fund or the Reference Asst, as applicable, can take place, (iii) with respect to an Index, any day on which the Index Sponsor should calculate and publish the closing level of the Index according to its rules and (iv) with respect to an FX Rate, any day that is (or but for the occurrence of a Market Disruption Event, would have been) a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the Settlement Currency;

“**Valuation Date**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the date or dates specified as such in the definition of the relevant Series in the applicable Final Terms or, if any such day is not a Trading Day, the first Trading Day thereafter unless, in the determination of the Issuer or the Calculation Agent on its behalf either:

- (i) a Market Disruption Event has occurred on that day with respect to any Basket Constituent, in which case the Valuation Date shall be the first succeeding Trading Day on which the Issuer or the Calculation Agent on its behalf determines that there is no Market Disruption Event unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Market Disruption Event) would have been a Valuation Date. In that case (a) the last day of the Relevant Number of Trading Days shall be deemed to be the Valuation Date (regardless of the Market Disruption Event); and (b) the Issuer or the Calculation Agent on its behalf shall determine the price, level or NAV, as applicable, having regard to the then prevailing market conditions, the last reported trading price of the Basket Constituent and such other factors as the Issuer or the Calculation Agent on its behalf determines to be relevant; or
- (ii) a Fund Event has occurred on that day in which case the provisions of Product Condition 4(k) shall apply and the Valuation Date shall be adjusted accordingly;

“**Valuation Time**” means (i) with respect to each Commodity and FX Rate at or around the time specified as such in the definition of the relevant Series in the applicable Final Terms, (ii) with respect to each Index the time with reference to which the Index Sponsor calculates the closing level of the Index, (iii) with respect to the AEX-index, the time with reference to which the Index Sponsor calculates the exchange delivery settlement price (the average of the prices of the AEX-index calculated at one minute intervals between 15.30 and 16.00 Amsterdam time), (iv) with respect to each Certificate or Share, the official close of trading on the relevant Exchange and (v) with respect to each Fund (other than those Funds which are exchange traded funds) the time with reference to which the fund manager publishes the NAV or value and (vi) with respect to Funds which are exchange traded funds the time specified as such in the definition of the relevant series in the applicable Final Terms. All unless otherwise specified in the definition of the relevant Series in the applicable Final Terms or, such other time as the Issuer or the Calculation Agent on its behalf may select and notify to Holders in accordance with General Condition 4; and “**Weight**” means, for each Basket

Constituent, the percentage specified as such in the definition of Basket of the relevant Series in the applicable Final Terms, subject to adjustment in accordance with Product Condition 4.

Terms in capitals which are not defined in these Product Conditions shall have the meanings ascribed to them in the General Conditions.

## 2. FORM

- (a) **Global Form.** Except in the case of Securities issued in the form described in either Product Condition 2(b) or 2(c), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the “**Global Security**”) which will be deposited with a Clearing Agent or the depository for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term “**Holder**” shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested as regards the Issuer and the Agents, solely in the bearer of the Global Security.
- (b) **Dematerialised Form.** Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time to time (the “**Rules**”). Accordingly, in these Conditions, the term “**Holder**” means a person in whose name a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

If CREST is specified as the Clearing Agent in the relevant Final Terms, the Securities will be cleared through CREST. Such Securities will be registered securities in dematerialised and uncertificated form, and will be (i) participating securities and (ii) uncertificated securities in accordance with the Uncertificated Securities Regulations 2001 (SI. No. 3755) as amended, supplemented or replaced from time to time (the “**Regulations**”).

Securities cleared through CREST may be transferred in accordance with the Regulations and the rules, procedures and practices of the relevant Operator (as defined below). No transfer of such Securities will be valid unless and until entered on the relevant Operator register of corporate securities (as defined in and in accordance with, the Regulations).

In the case of Securities cleared through CREST, title to the Securities is recorded on the relevant Operator register of corporate securities (as defined in the Regulations). The Registrar on behalf of the Issuer will maintain a register of such Securities recorded on the relevant Operator register of corporate securities (the “**Register**”) and shall procure that the Register is regularly updated to reflect the Operator register of corporate securities in accordance with the rules and practices from time to time of the Operator and the Regulations. Subject to this requirement, (i) each person who is for the time being shown in the Register as the holder of such Securities shall be treated by the Issuer and the Registrar as the holder of such Securities for all purposes and (ii) neither the Issuer nor the Registrar shall be liable in respect of any act or thing done or omitted to be done by it or on its behalf in reliance upon the assumption that the particulars entered in the Register which the Registrar maintains are in accordance with particulars entered in the Operator register of corporate securities relating to such Securities (and the expression “**Holder**” and related expressions shall be construed accordingly).

Any reference to the “**Operator**” (as such term is used in the Regulations) shall be to CREST and shall, whenever the context so permits, be deemed to include a reference to any such additional or alternative Operator approved by the Issuer from time to time in accordance with the Regulations and notified to the relevant Holders in accordance with General Condition 4.

Any indication herein that the Operator “shall do”, or similar expression or phrase indicating that they are obliged to or will carry out any role or obligation described in the Conditions and/or the applicable Final Terms, as the case may be, is given without any assumption by the Issuer, the relevant Registrar or the Calculation Agent of responsibility or liability for the performance of the Operator.

### 3. RIGHTS AND PROCEDURES

- (a) Redemption on the Settlement Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at the Cash Amount, such redemption to occur on the Settlement Date.
- (b) Issuer Call. If “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the Issuer may redeem the Securities in whole, but not in part, on any Issuer Call Date at the Issuer Call Cash Amount by giving Holders at

least the Issuer Call Notice Period notice of its intention to redeem the Securities, such notice to be given at any time from (and including) the Issuer Call Commencement Date. Any such notice shall be given in accordance with the provisions of General Condition 4 and shall specify the Issuer Call Date.

- (c) Interest Amount. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction, and is payable on each Interest Payment Date and the Issuer Call Date (if applicable), as the case may be.
- (d) Interest Accrual. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date or the Issuer Call Date, as the case may be, in the event that payment of any amount is postponed due to a Market Disruption Event or Fund Event, as applicable.
- (e) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (a) if “Modified Following” is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (b) if “Following” is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.
- (f) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount, any Issuer Call Cash Amount or any Interest Amount.
- (g) Settlement Risk. Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and none of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. None of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.

- (h) Method of Payment. Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.
- (i) Presentation and Surrender. Unless the Securities are cleared through CREST, the Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid. Where the Securities are cleared through CREST, General Condition 20 shall apply.

(4) ADJUSTMENTS

- (a) Market Disruption in relation to a Commodity. The Issuer or the Calculation Agent on its behalf shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred.

In this Product Condition 4(a), a “**Market Disruption Event**” means:

- (i) Price Source Disruption. The failure by the Exchange to announce or publish the price for the Commodity (or the information necessary for determining such price), or the temporary or permanent discontinuance or unavailability of such price by the Exchange; or
- (ii) Trading Suspension. The material suspension of trading on the Exchange or any Related Exchange; or
- (iii) Disappearance of Price. The failure of trading to commence, or the permanent discontinuation of trading of the Commodity on the Exchange; or
- (iv) Material Change in nature of or pricing method. The occurrence, since the Issue Date, of a material change in the basis for (including but not limited to the quantity, quality or currency), or method of calculating the price of the Commodity; or

- (v) Material Change in Content. The occurrence, since the Issue Date, of a material change in the content, composition of the Commodity; or
  - (vi) De Minimis Trading. The number of contracts traded on the Exchange with respect to the Commodity is such that the Issuer declares that its ability to enter into hedging transactions with respect to the Commodity has been impaired due to a lack of, or, a material reduction in, trading in the Commodity on the Exchange; or
  - (vii) Tax Disruption. The imposition of, change in, or removal of an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measured by reference to, the Commodity (other than a tax on, or measured by reference to, overall gross or net income) by any government or taxation authority after the Issue Date, if the direct effect of such imposition, change or removal is to raise or lower the price of the Commodity on the Valuation Date and/or on each of the three Trading Days following the Valuation Date from what it would have been without that imposition, change or removal; or
  - (viii) Trading Limitation. The material limitation imposed on trading in the Commodity with respect to it or any contract with respect thereto on any exchange or principal trading market; or
  - (ix) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities.
- (b) Market Disruption in relation to an FX Rate. The Issuer or the Calculation Agent on its behalf shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred. In this Product Condition 4(b), a “**Market Disruption Event**” means:
- (a) Price Source Disruption. If it becomes impossible to obtain any one or more FX Rates on the Valuation Date; or
  - (b) Governmental Default. If with respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (i) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (ii) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (iii) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the

consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or

- (c) Inconvertibility/non-transferrability. The occurrence of any event which (i) generally makes it impossible to convert the currencies in any one or more FX Rates through customary legal channels for conducting such conversion in the principal financial centre of a Basket Constituent Currency or (ii) generally makes it impossible to deliver a Basket Constituent Currency from accounts in the country of the principal financial centre of that Basket Constituent Currency to accounts outside such jurisdiction or the Settlement Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or
- (d) Nationalisation. Any expropriation, confiscation, requisition, nationalization or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates), of all or substantially all of its assets in the country of the principal financial centre of a Basket Constituent Currency; or
- (e) Illiquidity. Any impossibility in obtaining a firm quote for any one or more FX Rates or the Settlement Currency for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or
- (f) Change in Law. A change in law in the country of the principal financial centre of a Basket Constituent Currency which may affect the ownership in and/or the transferability of that Basket Constituent Currency; or
- (g) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of a Basket Constituent Currency; or
- (h) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of a Basket Constituent Currency; or
- (i) Other Events. Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities.

For this purpose a “**Governmental Authority**” is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial

markets (including the central bank) in the country of the principal financial centre of the Settlement Currency.

- (c) Market Disruption in relation to a Certificate and a Share. The Issuer or the Calculation Agent on its behalf shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred.

In this Product Condition 4(c), a “**Market Disruption Event**” means:

- (1) the occurrence or existence on any Trading Day during the one hour period that ends at the official close of trading on the Exchange or any Related Exchange of any suspension of or limitation imposed on trading or the disruption or impairment in the ability of market participants in general to effect transactions (by reason of movements in price reaching or exceeding limits permitted by the relevant exchange or otherwise):
  - (A) in the Shares or Certificates, as applicable, on the Exchange or any other exchange on which the Shares are listed; or
  - (B) in any options contracts or futures contracts or other derivatives contracts relating to the Shares or Certificates, as applicable, on any Related Exchange if, in the determination of the Calculation Agent, such suspension or limitation is material; or
- (2) a general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located.

For the purposes of this definition, a limitation on the hours and number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the Exchange or any Related Exchange, but a limitation on trading imposed during the course of the day by reason of movements in price otherwise exceeding levels permitted by the Exchange or any Related Exchange may, if so determined by the Calculation Agent, constitute a Market Disruption Event.

- (d) Market Disruption in relation to an Index. The Issuer or the Calculation Agent on its behalf shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred.

In this Product Condition 4(d), in respect of an Index which is not a Commodity Index, “**Market Disruption Event**” means (i) a general moratorium is declared in respect of

banking activities in the country in which the Exchange or Related Exchange is located or (ii) the occurrence or existence on any Trading Day during the one hour period that ends at the official close of trading on the Exchange or any Related Exchange of any suspension of or limitation imposed on trading or the disruption or impairment in the ability of market participants in general to effect transactions (by reason of movements in price reaching or exceeding limits permitted by the relevant exchange or otherwise):

- (1) on any Exchange(s) in securities that comprise 20 per cent or more of the level of the relevant Index if, in the determination of the Calculation Agent, such suspension or limitation is material. For the purpose of determining whether such suspension or limitation is material, if trading in a security included in the Index is suspended or materially limited at that time, then the relevant percentage contribution of that security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that security relative to (y) the overall level of the Index, in each case immediately before that suspension or limitation; or
- (2) on any Related Exchange in any options contracts or futures contracts or other derivatives contracts relating to the relevant Index.

In any event, a limitation on the hours and number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the relevant exchange, but a limitation on trading imposed during the course of the day by reason of movements in price otherwise exceeding levels permitted by the relevant exchange may, if so determined by the Calculation Agent, constitute a Market Disruption Event.

In this Product Condition 4(d), in respect of a Commodity Index, “**Market Disruption Event**” means, in relation to the Commodity Index or its components:

- (i) **Price Source Disruption.** The failure by the Exchange to announce or publish the price of the Commodity Index or any of its components (or the information necessary for determining such price(s)) or the temporary or permanent discontinuance or unavailability of such price(s) by the Exchange; or
- (ii) **Trading Suspension.** The material suspension of trading on the Exchange; or
- (iii) **Disappearance of Price.** The permanent discontinuation of trading in the Commodity Index or any of its components on the Exchange, disappearance of, or of trading in, the Commodity Index or any of its components or the disappearance or permanent discontinuance or unavailability of a reference price, notwithstanding the availability of the related price source or the status of trading in the Commodity Index or any of its components;

(iv) **Material Change in Formula.** The occurrence, since the Issue Date, of a material change in the basis for (including but not limited to the quantity, quality or currency), or method of, calculating the price of a component of the Commodity Index; or

(v) **Material Change in Content.** The occurrence, since the Issue Date, of a material change in the content or composition of a Commodity Index or any of its components; or

(vi) **De Minimis Trading.** The number of contracts traded on the Exchange with respect to a Commodity Index or any of its components is such that the Issuer declares that its ability to enter into hedging transactions with respect to the Commodity Index or any of its components has been impaired due to a lack of, or a material reduction in, trading in the Commodity Index or any of its components on the Exchange; or

(vii) **Tax Disruption.** The imposition of, change in, or removal of, an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measured by reference to, a Commodity Index or any of its components (other than a tax on, or measured by reference to, overall gross or net income) by any government or taxation authority after the Issue Date, if the direct effect of such imposition, change or removal is to raise or lower the price of the Commodity Index or any of its components on the Valuation Date or Issuer Call Date, as the case may be, and/or on each of the three Trading Days following the Valuation Date or Issuer Call Date, as the case may be, from what it would have been without that imposition, change or removal; or

(viii) **Trading Limitation.** The material limitation imposed on trading in a Commodity Index or any of its components on any exchange or principal trading market; or

(ix) **Moratorium.** A general moratorium is declared in respect of banking activities in the country in which the Exchange is located; or

(x) **Other Events.** Any other event similar to any of the above which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities.

(e) Potential Adjustment Events. Following a declaration by the issuer of the Certificates of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Certificates and, if so, will:

(i) make the corresponding adjustment, if any, to any one or more of the Conditions as the Calculation Agent determines appropriate to account for that diluting or concentrative effect; and

(ii) determine the effective date of that adjustment.

The Calculation Agent may, but need not, determine the adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an options exchange to options on the Certificates traded on that options exchange. Upon making any such adjustment, the Calculation Agent shall notify the Holders in accordance with General

Condition 4, stating the adjustment to be made to the Conditions and giving brief details of the Potential Adjustment Event.

In this Product Condition 4(e), “**Potential Adjustment Event**” means any event that may have a diluting or concentrative effect on the theoretical value of the Certificates.

- (f) Potential Adjustment Events in relation to a Share. Following a declaration by the Share Company of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Share and, if so, will:
- (1) make the corresponding adjustment, if any, to any one or more of the Conditions as the Calculation Agent determines appropriate to account for that diluting or concentrative effect; and
  - (2) determine the effective date of that adjustment.

The Calculation Agent may, but need not, determine the adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an options exchange to options on the Shares traded on that options exchange. Upon making any such adjustment, the Calculation Agent shall notify the Holders in accordance with General Condition 4, stating the adjustment to be made to the Conditions and giving brief details of the Potential Adjustment Event.

In this Product Condition 4(f), “**Potential Adjustment Event**” means any of the following: (A) a subdivision, consolidation or reclassification of relevant Shares (unless a Merger Event) or a free distribution or dividend of such Shares to existing holders of the relevant Shares by way of bonus, capitalisation, recapitalisation or similar issue; (B) a distribution or dividend to existing holders of the relevant Shares of (aa) such Shares, or (bb) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Share Company equally or proportionately with such payments to holders of such Shares, or (cc) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other) at less than the prevailing market price as determined by the Calculation Agent; (C) an extraordinary dividend; (D) a distribution of cash dividends on the Shares equal to or greater than 8 per cent. per annum of the then current market value of the Shares; (E) a call by the Share Company in respect of relevant Shares that are not fully paid; (F) a repurchase by the Share Company of relevant Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or (G) any other similar event that may have a diluting or concentrative effect on the theoretical value of the relevant Shares.

- (g) De-listing, Merger Event, Nationalisation and Insolvency. If a De-listing, Merger Event, Nationalisation or Insolvency occurs in relation to the Share Company, the Issuer in its sole and absolute discretion may take the action described in (1), (2) or (3) below:
- (1) require the Calculation Agent to determine in its sole and absolute discretion the appropriate adjustment, if any, to be made to any of the other terms of these Conditions to account for the De-listing, Merger Event, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The Calculation Agent may (but is under no obligation to) determine the appropriate adjustment by reference to the adjustment in respect of the De-listing, Merger Event, Nationalisation or Insolvency made by any Related Exchange to options contracts or futures contracts or other derivatives contracts on the Shares traded on such Related Exchange; or
  - (2) cancel the Securities by giving notice to Holders in accordance with General Condition 4. If the Securities are to be cancelled the Issuer will pay an amount to each Holder in respect of each Security held by him which amount shall be the fair market value of a Security (taking into account the De-listing, Merger Event, Nationalisation or Insolvency (as the case may be)) on the day selected for cancellation as shall be selected by the Issuer in its sole and absolute discretion adjusted to account fully for any losses, expenses and costs to the Issuer and/or any affiliate of the Issuer of unwinding or adjusting any underlying or related hedging arrangements (including but not limited to any equity options or selling or otherwise realising any Shares or other instruments of any type whatsoever which the Issuer and/or any of its affiliates may hold as part of such hedging arrangements), all as determined by the Calculation Agent in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Holders in accordance with General Condition 4; or
  - (3) following any adjustment to the settlement of terms of options contracts or futures contracts or any other derivatives contracts on the Shares traded on any Related Exchange, require the Calculation Agent to make a corresponding adjustment to any of the other terms of these Conditions, which adjustment will be effective as of the date determined by the Calculation Agent to be the effective date of the corresponding adjustment made by the Related Exchange. If options contracts or futures contracts or other derivatives contracts on the Shares are not traded on the Related Exchange, the Calculation Agent will make such adjustment, if any, to any of the other terms of these Conditions as the Calculation Agent in its sole and absolute discretion determines appropriate, with reference to the rules and precedents

(if any) set by the Related Exchange to account for the De-listing, Merger Event, Nationalisation or Insolvency (as the case may be) that in the determination of the Calculation Agent would have given rise to an adjustment by the Related Exchange if such options contracts or futures contracts or other derivatives contracts were so traded.

Upon the occurrence of a De-listing, Merger Event, Nationalisation or Insolvency, the Calculation Agent shall notify the Holders in accordance with General Condition 4, stating the occurrence of such De-listing, Merger Event, Nationalisation or Insolvency (as the case may be) and the action proposed to be taken in relation thereto.

“**De-listing**”, in this Product Condition 4(g) only, means a Share for any reason ceases to be listed or is suspended from listing on the Exchange or any other exchange on which the Shares are listed (and such cessation or suspension is continuing and such Share is not subsequently listed or quoted on another stock exchange or quotation system acceptable to the Issuer).

“**Merger Date**” means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent.

“**Merger Event**”, in this Product Condition 4(g) only, means any (1) reclassification or change to the Shares that results in a transfer of or an irrevocable commitment to transfer all or a majority of the outstanding Shares; (2) consolidation, amalgamation, merger or binding share exchange of a Share Company with or into another entity (other than a consolidation, amalgamation, merger or binding share exchange in which such Share Company is the continuing entity and which does not result in any such reclassification or change to all the outstanding Shares); or (3) take-over offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Shares that results in a transfer of, or an irrevocable commitment to transfer a majority of the voting power of the Share Company to the offeror, in each case if the Merger Date is on or before the relevant Valuation Date.

“**Nationalisation**” means that all the Shares of a Share Company or all the assets or substantially all the assets of a Share Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority or entity.

“**Insolvency**” means that by reason of the voluntary or involuntary liquidation, bankruptcy or insolvency of or any analogous proceeding affecting a Share Company (1) all the Shares are required to be transferred to a receiver, trustee, liquidator or other similar official or

- (2) holders of the Shares of that Share Company become legally prohibited from transferring them.
- (h) Potential Adjustment Events in relation to an Index. The Calculation Agent shall give notice as soon as practicable to the Holders in accordance with General Condition 4 of any determination made by it pursuant to paragraphs (1), (2), (3) or (4) below.
- (1) If any Index is (A) not calculated and announced by the Index Sponsor but is calculated and published by a successor to the Index Sponsor (the “**Successor Sponsor**”) acceptable to the Calculation Agent; or (B) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the relevant Index, then (in either case) the relevant Index will be deemed to be the index so calculated and announced by such Successor Sponsor or that successor index, as the case may be.
- (2) If (A) on or prior to the Valuation Date the Index Sponsor or, if applicable, the Successor Sponsor makes a material change in the formula for or the method of calculating any Index or in any other way materially modifies an Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent securities or components, as the case may be, and other routine events); or (B) on the Valuation Date the Index Sponsor or, if applicable, the Successor Sponsor fails to calculate and/or publish any Index; then (in either case) the Calculation Agent shall determine the Index Final Reference Price using, in lieu of a published level for the relevant Index on the Valuation Date, the level for the relevant Index as determined by the Calculation Agent in accordance with the formula for and method of calculating the relevant Index last in effect prior to the change or failure, but using only (a) in respect of an Index which is not a Commodity Index, those securities that comprised the relevant Index immediately prior to the change or failure (other than those securities that have since ceased to be listed on the Exchange or any other exchange on which the Shares are listed) or (b) in respect of a Commodity Index, commodity components that comprised the Index immediately prior to the change or failure (other than those components that have since ceased to be traded on the Exchange or any other exchange) or, in the case of a material modification of the Index only, shall deem such modified Index to be the Index so calculated and announced or shall (if so required by the Issuer), by giving notice in accordance with General Condition 4, terminate the Securities and pay to each Holder in respect of each Security held by such Holder an amount equal to the fair market value of the Security immediately prior to such material modification of the Index less the cost to the Issuer of unwinding any related hedging arrangements (as determined by the Issuer).

- (3) If, at any time, any of the events specified in (A) to (H) below occurs and the Index Sponsor or, if applicable, the Successor Sponsor has not in the opinion of the Calculation Agent made an appropriate adjustment to the level of the relevant Index (which term excludes, for these purposes of this paragraph (3), any Commodity Index) in order to account fully for such event, notwithstanding that the rules published or applied by the Index Sponsor or, if applicable, the Successor Sponsor pertaining to the Index have been applied, the Calculation Agent shall make such adjustment to the level of the relevant Index as it considers appropriate in order so to account for: (A) a distribution or dividend to existing holders of the Index Shares of (i) the Index Shares; or (ii) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the issuer of the Index Shares equally or proportionately with such payments to holders of Index Shares or (iii) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price; (B) a free distribution or dividend of any Index Shares to existing holders of the Index Shares by way of bonus, capitalisation or similar issue; (C) an extraordinary dividend; (D) any cash dividends declared on the Index Shares at a time when the relevant issuer of the Index Shares has not previously declared or paid dividends on such Index Shares for the prior four quarterly periods; (E) any non-cash dividends declared on the Index Shares at a time when the relevant issuer of the Index Shares has not previously declared or paid dividends on such Index Shares for the prior four quarterly periods; (F) any other extraordinary cash or non-cash dividend on, or distribution with respect to, the Index Shares which is, by its terms or declared intent, declared and paid outside the normal operations or normal dividend procedures of the relevant issuer of the Index Shares, provided that, in all cases, the related ex-dividend date occurs during the period from but including the Issue Date up to and excluding the Valuation Date; (G) a distribution of cash dividends on the Index Shares equal to or greater than 8 per cent. per annum of the then current market value of the Index Shares; and (H) any other similar event having a dilutive or concentrative effect on the theoretical value of the Index Shares.
- (4) The Issuer reserves the right to issue further Securities, make adjustments or to distribute to the Holders any rights in connection with the Securities as it reasonably believes are appropriate in circumstances where an event or events occur which the Issuer (in its absolute discretion and notwithstanding any adjustments previously made to the Securities) believes should, in the context of the issue of Securities and its obligations hereunder, give rise to such adjustment or distribution, provided that such adjustment is considered by the Calculation Agent either to be appropriate generally (without considering the individual circumstances of any Holder or the tax or other consequences

of such adjustment in any particular jurisdiction) or to be required to take account of provisions of the laws of the relevant jurisdiction or the practices of the Exchange.

(i) Adjustments to the Basket

If a De-Listing occurs with respect to a Fund, Certificate or a Share, as applicable or a Fund, Certificate or Share, as applicable is for any reason cancelled or ceases to exist, the Calculation Agent may determine in its sole discretion to either (A) replace the de-listed or cancelled Fund, Certificate or Share, as applicable by a successor fund, certificate or share, as applicable which has in the determination of the Calculation Agent the same or substantially similar structure and a substantially similar economic impact, and is linked to the same asset as such Fund, Certificate or Share, as applicable (B) remove the de-listed or cancelled Fund, Certificate or Share, as applicable and allocate the Fund Final Reference, Certificate Final Reference Price or Share Final Reference Price, as applicable of such Fund, Certificate or Share, as applicable as of the effective date of the de-listing or cancellation, pro rata to the remaining Funds, Certificates or Shares, as applicable or (C) make such other adjustments to the Conditions as the Calculation Agent sees fit, acting in its absolute discretion.

The Calculation Agent shall give notice as soon as practicable to the Holders in accordance with General Condition 4 of any determination made pursuant to the foregoing paragraph.

“**De-listing**” means, for the purpose of the foregoing paragraph, a Basket Constituent for any reason ceases to be listed or is suspended from listing on the Exchange or any other exchanges on which the Basket Constituents are listed (and such cessation or suspension is continuing and such Basket Constituent is not subsequently listed or quoted on another stock exchange or quotation system acceptable to the Issuer).

(j) Fund Events. Each of the following events constitutes a “**Fund Event**”. The Fund Events are for the benefit of the Issuer in order that the Issuer is protected against any adverse effects of such Fund Events on its Hedge Position. The Issuer, or the Calculation Agent on its behalf, shall make all determinations in respect of such Fund Events including as to whether such Fund Event has occurred and the effective date of such occurrence. In order to constitute a Fund Event, the Issuer or the Calculation Agent on its behalf must conclude that the event in question either has resulted or is reasonably likely to result in an adverse effect on the value of the Reference Assets or the NAV of the Fund or on the rights of any investor therein with respect to the Reference Assets or the Fund or otherwise has materially adversely affected its Hedge Position.

(i) Global Events:

- (A) Any of: (a) the investment strategy and/or the investment objective of the Fund has changed so that it is materially different from that applicable at its Inclusion Date or (b) a material change has been made to the underlying nature, strategy or risk of the Fund's portfolio from that which prevailed at its Inclusion Date and that is over and above that expected by the Issuer or the Calculation Agent on its behalf as of the Inclusion Date with respect to the trading strategies employed by the Fund as of that date or (c) the operation or organisation of the Fund or the Fund Adviser (including, without limitation, its organisational structure and its procedures, processes or policies in respect of investment selection, due diligence, asset allocation, risk management or investment monitoring) has changed from that at the Inclusion Date or are other than as represented at such Inclusion Date or (d) any such procedures, processes or policies as are referred to in (c) above are either not being applied or are not being applied consistently with their application on the Inclusion Date or (e) an event or change affecting any of the structure, ownership, management or reputation or liquidity of the Fund or the Reference Assets and/or any other units in the capital of the Fund and/or any Fund Service Provider occurs or (f) any other amendments, changes, modifications or variations are made after the Inclusion Date to any of the Fund Documents, the Fund Prospectus or the Portfolio Guidelines.
- (B) (a) the Fund is not being managed in accordance with the Fund Documents and/or the Fund Prospectus as they prevailed on the Inclusion Date, and no action satisfactory to the Issuer or the Calculation Agent on its behalf has been taken by the Fund or any person on its behalf with a view towards correcting such breach within five calendar days from the date on which the Fund was notified of the breach, or (b) any event occurs which causes, or will with the passage of time (in the opinion of the Issuer or the Calculation Agent on its behalf) cause, the failure of the Fund and/or any Fund Service Provider to meet or maintain any obligation or undertaking under the Fund Documents.
- (C) The Issuer or the Calculation Agent on its behalf determines that (a) the obligations of any of the Fund or any Fund Service Provider or the directors of the Fund under any Hedging Agreement do not comprise legal, valid and binding obligations of such person, enforceable in accordance with their terms or (b) any of the Fund or any Fund Service Provider was acting outside its powers or authority in executing any Hedging Agreement or in

making any agreement or undertaking therein. Each of (a) and (b) shall be conclusively presumed to be the case if the Issuer or the Calculation Agent on its behalf is advised that such is the case by reputable legal counsel having expertise in such matters.

- (D) The activities of the Fund or any Fund Service Provider and/or any of their respective directors, officers, employees or agents are placed under review or become subject to any investigation, proceeding or litigation by any relevant governmental, legal, administrative or regulatory authority or court of competent jurisdiction and/or are subject to any charges or actions by any governmental, legal, administrative or regulatory authority for reasons of wrongdoing, suspected wrongdoing, alleged engagement in fraudulent activities, breach of any rule or regulation or other similar reason and/or the Fund or any Fund Service Provider and/or any of their respective directors, officers, employees or agents have any of their respective registrations, approvals, authorisations, licences or memberships with any administrative or regulatory authorities revoked, suspended, terminated, limited or qualified.
- (E) Written notification is given by the Fund or any Fund Service Provider (or any person acting on behalf thereof) to holders of Reference Assets or to the Fund Administrator of a proposed cessation of operation of the Fund or the Fund or any Fund Service Provider (a) is dissolved or has a resolution passed for its dissolution, winding-up, official liquidation; (b) makes a general assignment or arrangement with or for the benefit of its creditors; (c) (I) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organization or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official, or (II) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in Product Condition 4(j)(i)(E)(c)(I) above and in the case of this Product Condition 4(j)(i)(E)(c)(II) either (x) results in a judgment of

insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (y) is not dismissed, discharged, stayed or restrained in each case within fifteen days of the institution or presentation thereof; (d) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or a substantial part of its assets; (e) any security granted by the Fund or any Fund Service Provider over any of its assets is enforced or becomes capable of being enforced or any arrangement which in the determination of the Issuer or the Calculation Agent on its behalf is comparable to security over any such assets (including without limitation any repurchase agreement or prime brokerage arrangement) becomes enforceable or capable of early termination or any derivatives, repurchase agreement, securities lending or other trading or dealing arrangement relating to the assets of the Fund becomes enforceable or capable of early termination by reason of any event of default (howsoever described) relating to the Fund or the relevant Fund Service Provider; or (f) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in Product Conditions 4(j)(i)(E)(a) through 4(j)(i)(E)(f) above.

- (F) The Fund or any Fund Service Provider becomes party to any litigation or dispute.
- (G) Any Merger Event occurs or is threatened.
- (H) The Fund or any Fund Service Provider has experienced or is experiencing a material adverse change in its business, assets, operations or financial condition which adversely impacts its ability to provide services to the Fund and/or the quality of such services.
- (I) In respect of any Reference Assets, any fraudulent or negligent entry is made on the register of such Reference Assets maintained by or on behalf of the Fund or there is a reduction in the number of such Reference Assets held for the account of any investor in the Fund for reasons beyond the control of that investor.
- (J) (a) any change occurs in the legal, tax, accounting or regulatory treatment of (i) the Issuer, any of its affiliates or any Hedge Provider by reason of its investment in the Fund or the Reference Assets or (ii) the Fund or any Fund Service Provider, in each case from that which was applicable at the

Inclusion Date or (b) the Issuer or the Calculation Agent on its behalf determines that any of Issuer, its affiliates or any Hedge Provider is or may in the future be unable, or it may be unduly onerous or impractical for any such entity, to perform any obligation (including, without limitation, any regulatory or accounting reporting obligation) imposed on any such entity by the law or regulation of any relevant jurisdiction, any relevant regulatory or administrative body or any court of competent jurisdiction, in each case by reason of its investment in the Fund or the Reference Assets or (c) the Issuer, any of its affiliates or any Hedge Provider deems it necessary or appropriate, in order to comply with or remain within (i) any applicable legal and/or regulatory limits on the amounts of Reference Assets that it may hold and/or (ii) any internal exposure limits governing the maximum exposure (direct and indirect) that the Issuer, any relevant affiliate or the Hedge Provider as the case may be, is permitted to have to the Fund, to redeem all or some of the Reference Assets held by them.

- (K) A cross-contamination or other failure effectively to segregate the portfolio of assets occurs between different series, classes and/or sub-funds in relation to the Fund (if the Fund is part of an umbrella structure with more than one sub-fund).
  - (L) A significant market, trading or exchange disruption and/or crisis in the major financial markets occurs.
- (ii) NAV/Price and Reporting:
- (A) There is (a) a failure to calculate and/or publish the NAV of the Fund on any day on which such calculation or publication was scheduled to be made in accordance with the Fund Documents and/or the Fund Prospectus as they prevailed on the Inclusion Date or (b) a failure to calculate and publish the NAV of the Fund with the frequency set out in the Fund Documents and/or the Fund Prospectus as they prevailed on the Inclusion Date or (c) where the Fund is an exchange traded fund, a failure to publish the trading price of the Reference Assets on the Exchange.
  - (B) (a) Any change is made to the methodology used for calculating either the NAV of the Fund or any estimate of the NAV of the Fund from that which prevailed on the Inclusion Date or (b) there is a failure to calculate and deliver any estimate of the NAV of the Fund in accordance with the timing within which such information has previously been provided to the Issuer, the Calculation Agent, any of its affiliates or any Hedge Provider.

- (C) (a) The time delay between calculation of the NAV (or any estimated NAV) of the Fund and the publication of such NAV (or estimated NAV) is changed so that it is no longer the same as set out in the Fund Prospectus as it prevailed on the Inclusion Date or (b) any other information relating to the Fund that was specified to be published in accordance with the Fund Documents or the Fund Prospectus as they respectively prevailed on the Inclusion Date is not published in accordance with the timetable therefor set out in such documents.
- (D) The audited NAV of the Fund varies by more than 0.50 per cent. from the related NAV previously published by or on behalf of the Fund, or the auditors of the Fund qualify any audit report, or refuse to provide an unqualified audit report, in respect of the Fund, or the Issuer or the Calculation Agent on its behalf considers that the unaudited official NAV of the Fund published by or on behalf of the Fund in respect of any date does not reflect the NAV of such Fund as it would have been determined by the independent auditors of that Fund using the generally accepted accounting standards adopted by the Fund.
- (E) (i) In respect of any Reference Asset, the occurrence of any event affecting such Reference Asset that, in the determination of the Issuer or the Calculation Agent on its behalf, would make it impossible or impracticable for the Issuer or the Calculation Agent to determine the value of such Reference Asset, and the Issuer or the Calculation Agent on its behalf determines that such event will not be, or has not been, resolved within 15 calendar days from the occurrence of such event; (ii) any failure of the Fund, any Fund Service Provider or any director of the Fund to deliver, or cause to be delivered, (A) information that such person has agreed to deliver, or cause to be delivered, to the Issuer, the Calculation Agent, any of the Issuer's affiliates or any Hedge Provider in respect of the Fund (including, without limitation, any information required by the Issuer or the Calculation Agent in the execution of its duties and obligations under the Securities or required by the Issuer or the Calculation Agent in order to determine whether any Fund Event has occurred or to make any other determination permitted by it in respect of the Securities) or (B) information that has been previously delivered to the Issuer, the Calculation Agent, any of the Issuer's affiliates or any Hedge Provider, in accordance with such person's, or its authorised representative's, normal practice and that the Issuer or the Calculation Agent deems necessary for it to perform its duties

and obligations under the Securities or that the Issuer or the Calculation Agent deems is required by it in order to determine whether any Fund Event has occurred or to make any other determination permitted by it in respect of the Securities (including, in either case, monitoring the Fund's compliance with any Portfolio Guidelines, asset allocation methodologies, the occurrence of any Fund Event or any other similar policies relating to such Reference Assets).

(iii) Reference Assets:

Any of the following events relating to the Reference Assets occurs:

- (A) a subdivision, reclassification or distribution of Reference Assets which has a diluting or concentrative or other effect on the value (theoretical or otherwise) of the Reference Assets;
- (B) a portion of each Reference Asset is converted (whether by way of redemption and re-issue or otherwise) into new securities participating in the capital of the Fund, which securities are subject to lock-up periods during which they may not be redeemed and which relate to any segregated assets of the Fund, or the Fund creates any other form of “side-pocket” which affects the Reference Assets;
- (C) a (i) dividend (including cash and whether ordinary or extraordinary), (ii) distribution or (iii) issue of Reference Assets, capital, securities, rights or other assets or interests to existing holders of Reference Assets which has or is likely to have an adverse effect on the value (theoretical or otherwise) of the Reference Assets;
- (D) any suspension or limitation on the trading of the relevant currencies in which the Reference Assets are denominated or any amendment to the currency of denomination of the Reference Assets so that their price is no longer calculated in the same currency as at the Inclusion Date of the Fund;  
or

(iv) Trading and Fees:

- (A) In respect of the Reference Assets, the Fund or any Fund Service Provider increases the level of any redemption fee, subscription fee, management fee, performance fee or a bid/offer spread (or other charge however described) above the level that would have been applicable to any Reference Assets held by any of the Issuer, any affiliate of the Issuer or any Hedge Provider

on the Inclusion Date (regardless of whether any such person actually holds any Reference Assets as of such date).

- (B) Any suspension of or limitation imposed on trading of the Fund or on trading in the Reference Assets (for any reason, including, without limitation, by reason of liquidity restrictions) or any dealing request made by any investor or prospective investor in the Fund or the Reference Assets is deferred in whole or in part or is made at a value other than the related NAV or price, as applicable.
- (C) The frequency at which Reference Assets can be traded is amended or the timing for subscription or redemption of Reference Assets is amended, in each case so that it is no longer that specified in the Fund Documents and/or Fund Prospectus as they prevailed on the Inclusion Date, including, without limitation, an amendment to the timetable for payment of redemption proceeds upon redemption.
- (D) If any of the Issuer, any of its affiliates or any Hedge Provider redeems Reference Assets or is entitled to any other amount and:
  - (I) does not receive the full proceeds of such redemption or amount in cash in accordance with the timing set out in the Fund Documents or the Fund Prospectus; or
  - (II) receives any in-kind distribution in full or part satisfaction of the redemption proceeds or such other amount paid or payable to it,or the Issuer or the Calculation Agent on its behalf determines that either (I) or (II) above would be applicable were the Issuer, any of its affiliates or any Hedge Provider to redeem Reference Assets or be entitled to actual payment of any such other amount.
- (v) Fund Adviser and Fund Service Provider Failures:
  - (A) The Fund Adviser indicates or acknowledges that in its opinion the strategy/investment objective of the Fund will not be, or is no longer able to be, met.
  - (B) Any representations, covenants or agreements of the Fund Adviser under the investment management agreement or investment advisory agreement (howsoever described) relating to the Fund have been breached and not cured.

- (C) Any of: (a) the resignation, termination of appointment or replacement of the Fund Adviser from its role as such occurs or the resignation, termination of appointment or replacement of any other Fund Service Provider from its role as such occurs with respect to the Fund or (b) any change in the personnel of any Fund Service Provider occurs which the Issuer or the Calculation Agent on its behalf considers materially adversely affects the ability of such Fund Service Provider to carry out its duties with respect to the Fund.
- (D) The Issuer or the Calculation Agent on its behalf becomes aware of any failure by the Fund or any person on its behalf to disclose to the Issuer or the Calculation Agent on its behalf, on or before the Inclusion Date, any information, event or circumstance that was in existence on such date and that would have been necessary to enable the Issuer or the Calculation Agent to make an informed assessment of the assets and liabilities, financial position and prospects of the Fund and of the rights attaching to the Reference Assets.
- (vi) General: Any other event occurs which the Issuer or the Calculation Agent on its behalf determines is analogous to any of the events specified in sub-paragraphs (i) to (v) above.

(k) Consequences of a Fund Event.

In respect of each Fund Event, following the occurrence of such an event (and regardless of whether or not such event is then continuing) the Issuer or the Calculation Agent on its behalf may take any of following actions (each, a “**Permitted Action**”):

- (i) (A) make such adjustments to any variable, calculation methodology, valuation, settlement or payment terms or any other terms and conditions of the Securities as the Issuer or the Calculation Agent on its behalf determines appropriate to account for the economic effect on the Securities of such Fund Event and (B) determine the effective date of the relevant adjustments; or
- (ii) select a Replacement Fund and a Substitution Date. Following any such selection (A) the Replacement Fund shall replace the affected Fund on the Substitution Date, (B) references herein to the name of the affected Fund shall be deemed to be references to the name of the Replacement Fund with effect from the Substitution Date and (C) the Issuer or the Calculation Agent on its behalf may make such adjustment as it determines to be appropriate, if any, to any variable, calculation

methodology, valuation, settlement or payment terms or any other terms and conditions in relation to the Securities to reflect such substitution; or

- (iii) terminate all, but not some only, of the Securities, on the date notified to Holders in accordance with General Condition 4 and redeem the Securities at their fair market value immediately prior to such Fund Event less (i) the cost to the Issuer of unwinding any related hedging and funding arrangements (as determined by the Issuer); and (ii) the deduction of taxes, expenses and other similar charges; or
- (iv) make such adjustments to any variable, calculation methodology, valuation, settlement or payment terms or any other terms and conditions of the Securities as the Issuer or the Calculation Agent on its behalf determines are necessary to reflect a notional liquidation of all of the Reference Assets (with the timing of such notional liquidations being the same timing as would be the case on an actual liquidation of Reference Assets at the relevant time) and a notional investment of the liquidation proceeds in either (A) a zero coupon bond, or equivalent, such that, if the proceeds allow, the amount payable at redemption of such zero coupon bond is at least an amount per Security equal to the Issue Price of the Security, (B) an interest bearing deposit bearing interest at prevailing rates that would be offered by the Issuer in respect of such a deposit as determined by the Issuer or the Calculation Agent on its behalf, or (C) commercial paper rated at least A1/P1 or above by Moody's Investors Service, Inc. (any transaction costs that would be incurred in respect of an actual such investment may be notionally charged to the Securities) (any of (A), (B) or (C), a "Suspension Asset").

Notwithstanding that the Issuer or the Calculation Agent on its behalf may have previously determined not to take a Permitted Action, or to take one Permitted Action, it shall not be prevented from subsequently or concurrently deciding to adopt an additional or different Permitted Action in respect of the same Fund Event (whether on one or any number of occasions). In such respect, the Issuer or the Calculation Agent on its behalf may make such adjustments to any variable, calculation methodology, valuation, settlement or payment terms or any other terms and conditions of the Securities as it determines appropriate to account for the decision subsequently or concurrently made.

Notwithstanding anything in this sub-paragraph 4(j), neither the Issuer nor the Calculation Agent is under any obligation to determine that a Fund Event has occurred or to take any or all of the Permitted Actions. Any determinations made by the Issuer or the Calculation Agent on its behalf in respect of any of the Permitted Actions shall, in the absence of manifest error, be binding.

- (l) Fund Event Methodology and Determinations:
- (i) If, in respect of any determination or calculation hereunder which is made by reference to an official or estimated NAV of a Fund provided or published by or on behalf of the Fund or, where the Fund is an exchange traded fund, the last reported trading price of the Reference Asset on the Exchange in respect of a particular date, the Issuer or the Calculation Agent on its behalf determines that such value does not fairly represent the value of the Fund or Reference Asset as of such date, or that no such value is provided or published, then the Issuer or the Calculation Agent on its behalf may use such other value as it determines as representing a fair NAV or price, as applicable, as of such date or, alternatively, may use a preceding official or estimated value where it believes that such preceding official or estimated value gives a fairer representation than the more recent figure.
  - (ii) Should the Fund operate equalisation procedures in respect of performance or incentive based fees, the Issuer or the Calculation Agent on its behalf may make such adjustments to these Product Conditions as the Issuer or the Calculation Agent on its behalf determines appropriate to account for such equalisation in an equitable manner and, where such equalisation procedures operate by the issuance of different classes of shares in the Fund, then each of the Issuer and the Calculation Agent is permitted to deem any notional subscription or redemption on behalf of the Securities to be in such order and in respect of such classes as appear to it to be equitable and reasonable or to deem the return of such shares to be based on a benchmark or average of the different classes.
  - (iii) For the avoidance of doubt and notwithstanding any other Condition, the Issuer and the Calculation Agent on its behalf shall be entitled to make any determination, waiver, declaration or decision with regard to a Fund Event and, without limitation, may make such determination, waiver, declaration or decision by reference to the establishment, operation and/or efficacy (whether actual or anticipated) of any Relevant Hedging Transaction. Neither the Issuer nor the Calculation Agent is under any obligation to monitor or determine whether or not a Fund Event has occurred and will not be required to, and will not be responsible for any failure to, make any determination, waiver, declaration or decision whatsoever in relation to a Fund Event. In making or omitting to make any such determination, waiver, declaration or decision, neither the Issuer nor the Calculation Agent shall be under any fiduciary duty towards the Holders and, for the avoidance of doubt, neither the Issuer nor the Calculation Agent shall be responsible for any loss, underperformance or

opportunity cost suffered or incurred by Holders in connection with the Securities as a result thereof, howsoever arising.

- (m) The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determinations. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

5. EFFECT OF FINAL TERMS

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

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**CONDITIONS: PRODUCT CONDITIONS**  
**RELATING TO FUND LINKED NOTES**

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*The Product Conditions which follow relate to the Securities and must be read in conjunction with, and are subject to, the applicable Final Terms and the General Conditions (whether or not attached to this document). The applicable Final Terms, the Product Conditions and the General Conditions together constitute the Conditions of the Securities and will be printed on any Definitive Securities and attached to any Global Security representing the Securities.*

1. DEFINITIONS

“**Additional Fund Events**” means those events specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Agent**” means the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and together, the “**Agents**”, which expression shall include any other Agent appointed pursuant to the provisions of General Condition 12;

“**Basket**” means, unless for the relevant Series “Basket” is specified in the applicable Final Terms as being “Not Applicable”, the basket specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Business Day**” means, unless specified otherwise in the applicable Final Terms, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business;

“**Cash Amount**” means an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

“**Clearing Agent**” means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a “**Clearing Agent**” and together the “**Clearing Agents**”);

“**Coupon**” means, if the Securities are interest bearing, an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount;

“**Emerging Market Disruption Event**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

- (i) Moratorium. A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or
- (ii) Price Source Disruption. It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or
- (iii) Governmental Default. With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (A) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (B) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (C) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or
- (iv) Inconvertibility/non-transferability. The occurrence of any event which (A) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (B) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or
- (v) Nationalisation. Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or
- (vi) Illiquidity. It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or
- (vii) Change in Law. A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or

- (viii) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or
- (ix) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency, or where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or
- (x) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities;

“**Exchange**” means each exchange or quotation system specified as such in the definition of Basket or specified as such in the definition of the relevant Series in the applicable Final Terms or any successor to that exchange or quotation system;

“**Expenses**” means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security;

“**Final Reference Price**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, an amount equal to the NAV of each Fund as quoted by the fund manager of the Fund or, where such Fund is an exchange traded fund, the trading price of the Reference Asset on the Exchange, in each case for each Valuation Date or the Issuer Call Date, as the case may be, as determined by or on behalf of the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such price or NAV can be determined and no Emerging Market Disruption Event or Fund Event has occurred and is continuing) an amount determined by the Calculation Agent as its estimate of the NAV of the Fund or, where such Fund is an exchange traded fund, the trading price of the Reference Asset on the Exchange, in each case for such date having regard to the then prevailing market conditions, the last reported NAV of the Fund or, where the Fund is an exchange traded fund, the last reported trading price of the Reference Asset on the Exchange and such other factors as the Calculation Agent determines relevant;

“**Final Terms**” means the document containing the specific terms relating to the Securities;

“**Fund**” means each fund specified as such in the definition of Basket in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Fund Administrator**” means, in respect of the Fund, the fund administrator, manager, trustee or similar person with the primary administrative responsibilities for such Fund according to the Fund Documents;

“**Fund Adviser**” means, in respect of any Fund, any person appointed in the role of discretionary investment manager or non-discretionary investment adviser (including a non-discretionary investment adviser to a discretionary investment manager or to another non-discretionary investment adviser) for such Fund;

“**Fund Documents**” means, with respect to any Fund or Reference Asset, the constitutive and governing documents, subscription agreements and other agreements of the related Fund or Reference Asset specifying the terms and conditions relating to such Fund or Reference Asset and which shall include any Hedging Agreement, each as amended from time to time;

“**Fund Event**” means each event specified as such in Product Condition 4, any Potential Fund Event and any Additional Fund Event specified in the definition of the relevant Series in the applicable Final Terms;

“**Fund Prospectus**” means the disclosure document howsoever described prepared in connection with the marketing of the Fund and, in relation to any Replacement Fund, means the disclosure document howsoever described prepared in connection with the marketing of the Replacement Fund and that, as of the Inclusion Date, was the most recent version thereof, each as amended from time to time;

“**Fund Service Provider**” means, in respect of any Fund, any person who is appointed to provide services, directly or indirectly, for that Fund, whether or not specified in the Fund Documents or the Fund Prospectus, including but not limited to any Fund Adviser, Fund Administrator, operator, management company, depository, custodian, sub-custodian, prime broker, trustee, registrar and transfer agent or domiciliary agent;

“**Governmental Authority**” is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate;

“**Hedging Agreement**” means any agreement, whether by way of side letter or otherwise, in respect of any hedging arrangement entered into between: (a) the Issuer, any of its affiliates or any Hedge Provider; and (b) the Fund, the Fund Adviser, any other Fund Service Provider or the directors of the Fund;

“**Inclusion Date**” means (i) in respect of the Fund, the Issue Date and (ii) in respect of any Replacement Fund, means the Substitution Date of that Fund;

“**Initial Reference Price**” means the level specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Interest Amount**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount, an amount calculated by the Calculation Agent as follows:

Nominal Amount x Interest Rate x Interest Rate Day Count Fraction;

**“Interest Payment Dates”** means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Interest Period”** means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date or the Issuer Call Date, as the case may be, and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date or the Issuer Call Date, as the case may be;

**“Interest Rate”** means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, the rate specified as such, or determined in accordance with the formula specified, in the definition of the relevant Series in the applicable Final Terms;

**“Interest Rate Day Count Fraction”** means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms;

**“Issue Date”** means the date specified as such in the applicable Final Terms;

**“Issuer”** means The Royal Bank of Scotland Group plc incorporated in Scotland with its statutory seat in Edinburgh;

**“Issuer Call”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the termination of the Securities by the Issuer in accordance with Product Condition 3(b);

**“Issuer Call Cash Amount”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the amount specified, or determined by the Calculation Agent in accordance with the formula specified, in the definition of Issuer Call Cash Amount for the relevant Series in the applicable Final Terms, less Expenses. The Issuer Call Cash Amount payable to a Holder shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

**“Issuer Call Commencement Date”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the date specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Issuer Call Date”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each date specified as such in the definition of the relevant Series in the applicable Final Terms or, if no such date is specified, the date specified as such in the notice delivered by the Issuer in accordance with Product Condition 3 or, if any such day is not a Trading Day, means the first

succeeding Trading Day unless, in the determination of the Issuer or the Calculation Agent on its behalf, either:

(i) An Emerging Market Disruption Event has occurred on any such day, in which case the applicable Issuer Call Date shall be the first succeeding Trading Day on which the Issuer or the Calculation Agent on its behalf determines that there is no Emerging Market Disruption Event, unless the Issuer or the Calculation Agent on its behalf determines that there is an Emerging Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Emerging Market Disruption Event) would have been the Issuer Call Date. In that case (i) the last day of the Relevant Number of Trading Days shall be deemed to be the Issuer Call Date (regardless of the Emerging Market Disruption Event); and (ii) the Issuer or the Calculation Agent on its behalf shall determine the Issuer Call Cash Amount having regard to the then prevailing market conditions, the last reported NAV of the Fund or, where the Fund is an exchange traded fund, the last reported trading price of the Reference Asset on the Exchange, and such other factors as the Issuer or the Calculation Agent on its behalf determines to be relevant; or

(ii) a Fund Event has occurred on that day, in which case the provisions of Product Condition 4(c) shall apply and the Issuer Call Date shall be adjusted accordingly;

**“Issuer Call Notice Period”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the period specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Market Disruption Event”** means each event specified as such in Product Condition 4, any Additional Market Disruption Events specified in the definition of the relevant Series in the applicable Final Terms and any Emerging Market Disruption Event;

**“Maturity Date”** means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Merger Event”** means, in respect of any relevant shares, units or interests issued by a Relevant Party, any (i) reclassification or change of such shares, units or interests that results in a transfer of or an irrevocable commitment to transfer all of such shares, units or interests outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of such Relevant Party with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Relevant Party is the continuing entity and which does not result in a reclassification or change of all of such shares, units or interests outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding shares, units or interests of such Relevant Party that results in a transfer of or an irrevocable commitment to transfer all such shares, units or interests (other than such shares, units or interests owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Relevant

Party or its subsidiaries with or into another entity in which the Relevant Party is the continuing entity and which does not result in a reclassification or change of all such shares, units or interests outstanding but results in the outstanding shares, units or interests (other than shares, units or interests owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding shares, units or interests immediately following such event;

“**NAV**” means net asset value;

“**Nominal Amount**” means the amount specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Payment Day**” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign exchange currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET 2) System is open;

“**Portfolio Guidelines**” means the investment guidelines and restrictions specified in respect of a Fund and as set out in the relevant Fund Prospectus and/or the relevant Fund Documents;

“**Potential Fund Event**” means any event or circumstance which would or may (with the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing), in the determination of the Calculation Agent, constitute or cause a Fund Event or where the Calculation Agent reasonably believes in good faith that a Fund Event may have occurred but does not at that time have evidence thereof;

“**Pricing Date**” means the date or dates specified as such in the applicable Final Terms, subject to adjustment by the Issuer or the Calculation Agent on its behalf in adverse market conditions if, in the opinion of the Issuer or the Calculation Agent on its behalf, circumstances so required;

“**Reference Asset**” means the relevant interests in each Fund or if the Fund is an exchange traded fund the relevant interests specified as "Reference Assets" in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Related Exchange**” means, with respect to a Fund which is an exchange traded fund, an options or future exchange or quotation system on which options contracts or futures contracts or other derivatives contracts on the relevant Fund are traded;

“**Reference Banks**” means the entities, if any, specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Relevant Currency**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the

country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying, is located provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt (“**ADR**”) or Global Depositary Receipt (“**GDR**”), the constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition;

“**Relevant Currency Exchange Rate**” means, each rate of exchange between the Relevant Currency and the Settlement Currency, or where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time;

“**Relevant Number of Trading Days**” means the number of Trading Days, if any, specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Relevant Party**” means each of the Fund and the Fund Adviser;

“**Replacement Fund**” means, in relation to a Fund, the fund selected by the Issuer or the Calculation Agent on its behalf to replace that Fund in accordance with Product Condition 4(c)(ii). Such Replacement Fund will have a similar risk profile as the Fund replaced, as determined by the Issuer or the Calculation Agent on its behalf.

“**Screen Page**” means each page, if any, specified as such in the definition of Underlying Rate for the relevant Series in the applicable Final Terms or any successor to any such page which contains the same information;

“**Securities**” means each Series of the fund linked notes specified in the applicable Final Terms and each such note a “**Security**”. References to the terms “**Securities**” and “**Security**” shall be construed severally with respect to each Series specified in the applicable Final Terms;

“**Series**” mean each series of Securities set out in the applicable Final Terms;

“**Settlement Currency**” means the currency specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Settlement Date**” means, unless specified otherwise in the applicable Final Terms, the Maturity Date or if later, the third Business Day following the Valuation Date;

“**Standard Currency**” means unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time;

“**Substitution Date**” means, in relation to a Fund, the date selected by the Issuer or the Calculation Agent on its behalf for the replacement of the Fund by a Replacement Fund.

“**Trading Day**” means (i) in respect of a Fund, any day on which dealing in the Fund can take place (or, but for the occurrence of a Fund Event, would have taken place) and (ii) in respect of a Fund that is an exchange traded fund any day that is (or, but for the occurrence of a Fund Event, would have been) a trading day on each Exchange or Related Exchange other than a day on which trading on the Exchange or Related Exchange is scheduled to close prior to its regular weekday closing time; “**Underlying Rate**” means each rate, if any, specified as such in the definition of the relevant Series in the applicable Final Terms, as determined by the Calculation Agent by reference to the Screen Page (if any) unless in the determination of the Calculation Agent, a Market Disruption Event has occurred, in which case the underlying rate shall be calculated in accordance with Product Condition 4;

“**Underlying Rate Valuation Date**” means the date or dates specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Valuation Date**” means the date or dates specified as such in the definition of the relevant Series in the applicable Final Terms or, if any such day is not a Trading Day, the first Trading Day thereafter unless, in the determination of the Issuer or the Calculation Agent on its behalf either:

(i) An Emerging Market Disruption Event has occurred on any such day, in which case the applicable Valuation Date shall be the first succeeding Trading Day on which the Issuer or the Calculation Agent on its behalf determines that there is no Emerging Market Disruption Event, unless the Issuer or the Calculation Agent on its behalf determines that there is an Emerging Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Emerging Market Disruption Event) would have been the Valuation Date. In that case (i) the last day of the Relevant Number of Trading Days shall be deemed to be the Valuation Date (regardless of the Emerging Market Disruption Event); and (ii) the Issuer or the Calculation Agent on its behalf shall determine the Final Reference Price having regard to the then prevailing market conditions, the last reported NAV of the Fund or, where the Fund is an exchange traded fund, the last reported trading price of the Reference Asset on the Exchange, and such other factors as the Issuer or the Calculation Agent on its behalf determines to be relevant; or

(ii) a Fund Event has occurred on that day in which case the provisions of Product Condition 4(c) shall apply and the Valuation Date shall be adjusted accordingly;

“**Valuation Time**” means at or around the time specified as such in the definition of the relevant Series in the applicable Final Terms or such other time as the Issuer may select and notify to Holders in accordance with General Condition 4; and

“**Weight**” means, unless for the relevant Series “Basket” is specified in the applicable Final Terms as being “Not Applicable”, for each Fund, the percentage specified as such in the definition of Basket of the relevant Series in the applicable Final Terms, subject to adjustment in accordance with Product Condition 4.

Terms in capitals which are not defined in these Product Conditions shall have the meanings ascribed to them in the General Conditions.

## 2. FORM

- (a) Global Form. Except in the case of Securities issued in the form described in either Product Condition 2(b) or 2(c), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the “**Global Security**”) which will be deposited with a Clearing Agent or the depositary for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term “**Holder**” shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested as regards the Issuer and the Agents, solely in the bearer of the Global Security.
- (b) Dematerialised Form. Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time to time (the “**Rules**”). Accordingly, in these Conditions, the term “**Holder**” means a person in whose name a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

If CREST is specified as the Clearing Agent in the relevant Final Terms, the Securities will be cleared through CREST. Such Securities will be registered securities in dematerialised and uncertificated form, and will be (i) participating securities and (ii) uncertificated securities in accordance with the Uncertificated Securities Regulations 2001 (SI. No. 3755) as amended, supplemented or replaced from time to time (the “**Regulations**”).

Securities cleared through CREST may be transferred in accordance with the Regulations and the rules, procedures and practices of the relevant Operator (as defined below). No transfer of such Securities will be valid unless and until entered on the relevant Operator register of corporate securities (as defined in and in accordance with, the Regulations).

In the case of Securities cleared through CREST, title to the Securities is recorded on the relevant Operator register of corporate securities (as defined in the Regulations). The Registrar on behalf of the Issuer will maintain a register of such Securities recorded on the relevant Operator register of corporate securities (the “**Register**”) and shall procure that the Register is regularly updated to reflect the Operator register of corporate securities in accordance with the rules and practices from time to time of the Operator and the Regulations. Subject to this requirement, (i) each person who is for the time being shown in the Register as the holder of such Securities shall be treated by the Issuer and the Registrar as the holder of such Securities for all purposes and (ii) neither the Issuer nor the Registrar shall be liable in respect of any act or thing done or omitted to be done by it or on its behalf in reliance upon the assumption that the particulars entered in the Register which the Registrar maintains are in accordance with particulars entered in the Operator register of corporate securities relating to such Securities (and the expression “**Holder**” and related expressions shall be construed accordingly).

Any reference to the “**Operator**” (as such term is used in the Regulations) shall be to CREST and shall, whenever the context so permits, be deemed to include a reference to any such additional or alternative Operator approved by the Issuer from time to time in accordance with the Regulations and notified to the relevant Holders in accordance with General Condition 4.

Any indication herein that the Operator “shall do”, or similar expression or phrase indicating that they are obliged to or will carry out any role or obligation described in the Conditions and/or the applicable Final Terms, as the case may be, is given without any assumption by the Issuer, the relevant Registrar or the Calculation Agent of responsibility or liability for the performance of the Operator.<sup>3</sup>                      RIGHTS AND PROCEDURES

- (a) Redemption on the Settlement Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at the Cash Amount, such redemption to occur on the Settlement Date.
- (b) Issuer Call. If “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the Issuer may redeem the Securities in whole, but not in part, on any Issuer Call Date at the Issuer Call Cash Amount by giving Holders at least the Issuer Call Notice Period notice of its intention to redeem the Securities, such notice to be given at any time from (and including) the Issuer Call Commencement Date.

Any such notice shall be given in accordance with the provisions of General Condition 4 and shall specify the Issuer Call Date.

- (c) Interest Amount. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction, and is payable on each Interest Payment Date and the Issuer Call Date (if applicable), as the case may be.
- (d) Interest Accrual. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date or the Issuer Call Date, as the case may be, in the event that payment of any amount is postponed due to a Fund Event.
- (e) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (a) if “Modified Following” is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (b) if “Following” is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.
- (f) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount, any Issuer Call Cash Amount or any Interest Amount.
- (g) Settlement Risk. Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and none of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. None of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- (h) Method of Payment. Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or

by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.

- (i) Presentation and Surrender. Unless the Securities are cleared through CREST, the Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid. Where the Securities are cleared through CREST, General Condition 20 shall apply.

#### 4 ADJUSTMENTS

- (a) Market Disruption. The Issuer or the Calculation Agent on its behalf shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred. In this Product Condition 4(a), a “**Market Disruption Event**” means the situation in which an Underlying Rate is not available on the relevant Screen Page, in which case the relevant rate shall be determined by the Calculation Agent on the basis of quotations for the relevant rate, or such other related rate as the Calculation Agent shall in its sole and absolute discretion specify, provided by the Reference Banks at the applicable time for the relevant day. The Issuer will request each Reference Bank to provide a quotation of the relevant rate. If at least three quotations are provided, the relevant rate will be the arithmetic mean of the quotations, eliminating the highest quotation (or in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If it is not possible to obtain quotations of the relevant rate by at least three of the Reference Banks then the Calculation Agent will determine the relevant Underlying Rate at its sole and absolute discretion.
- (b) Fund Events. Each of the following events constitutes a “**Fund Event**”. The Fund Events are for the benefit of the Issuer in order that the Issuer is protected against any adverse effects of such Fund Events on its Hedge Position. The Issuer, or the Calculation Agent on its behalf, shall make all determinations in respect of such Fund Events including as to whether such

Fund Event has occurred and the effective date of such occurrence. In order to constitute a Fund Event, the Issuer or the Calculation Agent on its behalf must conclude that the event in question either has resulted or is reasonably likely to result in an adverse effect on the value of the Reference Assets or the NAV of the Fund or on the rights of any investor therein with respect to the Reference Assets or the Fund or otherwise has materially adversely affected its Hedge Position.

(i) Global Events:

- (A) Any of: (a) the investment strategy and/or the investment objective of the Fund has changed so that it is materially different from that applicable at its Inclusion Date or (b) a material change has been made to the underlying nature, strategy or risk of the Fund's portfolio from that which prevailed at its Inclusion Date and that is over and above that expected by the Issuer or the Calculation Agent on its behalf as of the Inclusion Date with respect to the trading strategies employed by the Fund as of that date or (c) the operation or organisation of the Fund or the Fund Adviser (including, without limitation, its organisational structure and its procedures, processes or policies in respect of investment selection, due diligence, asset allocation, risk management or investment monitoring) has changed from that at the Inclusion Date or are other than as represented at such Inclusion Date or (d) any such procedures, processes or policies as are referred to in (c) above are either not being applied or are not being applied consistently with their application on the Inclusion Date or (e) an event or change affecting any of the structure, ownership, management or reputation or liquidity of the Fund or the Reference Assets and/or any other units in the capital of the Fund and/or any Fund Service Provider occurs or (f) any other amendments, changes, modifications or variations are made after the Inclusion Date to any of the Fund Documents, the Fund Prospectus or the Portfolio Guidelines.
- (B) (a) the Fund is not being managed in accordance with the Fund Documents and/or the Fund Prospectus as they prevailed on the Inclusion Date, and no action satisfactory to the Issuer or the Calculation Agent on its behalf has been taken by the Fund or any person on its behalf with a view towards correcting such breach within five calendar days from the date on which the Fund was notified of the breach, or (b) any event occurs which causes, or will with the passage of time (in the opinion of the Issuer or the Calculation Agent on its behalf) cause, the failure of the Fund and/or any Fund Service

Provider to meet or maintain any obligation or undertaking under the Fund Documents.

- (C) The Issuer or the Calculation Agent on its behalf determines that (a) the obligations of any of the Fund or any Fund Service Provider or the directors of the Fund under any Hedging Agreement do not comprise legal, valid and binding obligations of such person, enforceable in accordance with their terms or (b) any of the Fund or any Fund Service Provider was acting outside its powers or authority in executing any Hedging Agreement or in making any agreement or undertaking therein. Each of (a) and (b) shall be conclusively presumed to be the case if the Issuer or the Calculation Agent on its behalf is advised that such is the case by reputable legal counsel having expertise in such matters.
- (D) The activities of the Fund or any Fund Service Provider and/or any of their respective directors, officers, employees or agents are placed under review or become subject to any investigation, proceeding or litigation by any relevant governmental, legal, administrative or regulatory authority or court of competent jurisdiction and/or are subject to any charges or actions by any governmental, legal, administrative or regulatory authority for reasons of wrongdoing, suspected wrongdoing, alleged engagement in fraudulent activities, breach of any rule or regulation or other similar reason and/or the Fund or any Fund Service Provider and/or any of their respective directors, officers, employees or agents have any of their respective registrations, approvals, authorisations, licences or memberships with any administrative or regulatory authorities revoked, suspended, terminated, limited or qualified.
- (E) Written notification is given by the Fund or any Fund Service Provider (or any person acting on behalf thereof) to holders of Reference Assets or to the Fund Administrator of a proposed cessation of operation of the Fund or the Fund or any Fund Service Provider (a) is dissolved or has a resolution passed for its dissolution, winding-up, official liquidation; (b) makes a general assignment or arrangement with or for the benefit of its creditors; (c) (I) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organization or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or

insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official, or (II) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in Product Condition 4(b)(i)(E)(c)(I) above and in the case of this Product Condition 4(b)(i)(E)(c)(II) either (x) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (y) is not dismissed, discharged, stayed or restrained in each case within fifteen days of the institution or presentation thereof; (d) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or a substantial part of its assets; (e) any security granted by the Fund or any Fund Service Provider over any of its assets is enforced or becomes capable of being enforced or any arrangement which in the determination of the Issuer or the Calculation Agent on its behalf is comparable to security over any such assets (including without limitation any repurchase agreement or prime brokerage arrangement) becomes enforceable or capable of early termination or any derivatives, repurchase agreement, securities lending or other trading or dealing arrangement relating to the assets of the Fund becomes enforceable or capable of early termination by reason of any event of default (howsoever described) relating to the Fund or the relevant Fund Service Provider; or (f) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in Product Conditions 4(b)(i)(E)(a) through 4(b)(i)(E)(f) above.

- (F) The Fund or any Fund Service Provider becomes party to any litigation or dispute.
- (G) Any Merger Event occurs or is threatened.
- (H) The Fund or any Fund Service Provider has experienced or is experiencing a material adverse change in its business, assets, operations or financial condition which adversely impacts its ability to provide services to the Fund and/or the quality of such services.

- (I) In respect of any Reference Assets, any fraudulent or negligent entry is made on the register of such Reference Assets maintained by or on behalf of the Fund or there is a reduction in the number of such Reference Assets held for the account of any investor in the Fund for reasons beyond the control of that investor.
  - (J) (a) any change occurs in the legal, tax, accounting or regulatory treatment of (i) the Issuer, any of its affiliates or any Hedge Provider by reason of its investment in the Fund or the Reference Assets or (ii) the Fund or any Fund Service Provider, in each case from that which was applicable at the Inclusion Date or (b) the Issuer or the Calculation Agent on its behalf determines that any of Issuer, its affiliates or any Hedge Provider is or may in the future be unable, or it may be unduly onerous or impractical for any such entity, to perform any obligation (including, without limitation, any regulatory or accounting reporting obligation) imposed on any such entity by the law or regulation of any relevant jurisdiction, any relevant regulatory or administrative body or any court of competent jurisdiction, in each case by reason of its investment in the Fund or the Reference Assets or (c) the Issuer, any of its affiliates or any Hedge Provider deems it necessary or appropriate, in order to comply with or remain within (i) any applicable legal and/or regulatory limits on the amounts of Reference Assets that it may hold and/or (ii) any internal exposure limits governing the maximum exposure (direct and indirect) that the Issuer, any relevant affiliate or the Hedge Provider as the case may be, is permitted to have to the Fund, to redeem all or some of the Reference Assets held by them.
  - (K) A cross-contamination or other failure effectively to segregate the portfolio of assets occurs between different series, classes and/or sub-funds in relation to the Fund (if the Fund is part of an umbrella structure with more than one sub-fund).
  - (L) A significant market, trading or exchange disruption and/or crisis in the major financial markets occurs.
- (ii) NAV/Price and Reporting:
- (A) There is (a) a failure to calculate and/or publish the NAV of the Fund on any day on which such calculation or publication was scheduled to be made in accordance with the Fund Documents and/or the Fund Prospectus as they prevailed on the Inclusion Date or (b) a failure to calculate and publish the

NAV of the Fund with the frequency set out in the Fund Documents and/or the Fund Prospectus as they prevailed on the Inclusion Date or (c) where the Fund is an exchange traded fund, a failure to publish the trading price of the Reference Assets on the Exchange.

- (B) (a) Any change is made to the methodology used for calculating either the NAV of the Fund or any estimate of the NAV of the Fund from that which prevailed on the Inclusion Date or (b) there is a failure to calculate and deliver any estimate of the NAV of the Fund in accordance with the timing within which such information has previously been provided to the Issuer, the Calculation Agent, any of its affiliates or any Hedge Provider.
- (C) (a) The time delay between calculation of the NAV (or any estimated NAV) of the Fund and the publication of such NAV (or estimated NAV) is changed so that it is no longer the same as set out in the Fund Prospectus as it prevailed on the Inclusion Date or (b) any other information relating to the Fund that was specified to be published in accordance with the Fund Documents or the Fund Prospectus as they respectively prevailed on the Inclusion Date is not published in accordance with the timetable therefor set out in such documents.
- (D) The audited NAV of the Fund varies by more than 0.50 per cent. from the related NAV previously published by or on behalf of the Fund, or the auditors of the Fund qualify any audit report, or refuse to provide an unqualified audit report, in respect of the Fund, or the Issuer or the Calculation Agent on its behalf considers that the unaudited official NAV of the Fund published by or on behalf of the Fund in respect of any date does not reflect the NAV of such Fund as it would have been determined by the independent auditors of that Fund using the generally accepted accounting standards adopted by the Fund.
- (E) (i) In respect of any Reference Asset, the occurrence of any event affecting such Reference Asset that, in the determination of the Issuer or the Calculation Agent on its behalf, would make it impossible or impracticable for the Issuer or the Calculation Agent to determine the value of such Reference Asset, and the Issuer or the Calculation Agent on its behalf determines that such event will not be, or has not been, resolved within 15 calendar days from the occurrence of such event; (ii) any failure of the Fund, any Fund Service Provider or any director of the Fund to deliver, or cause to be delivered, (A) information that such person has agreed to

deliver, or cause to be delivered, to the Issuer, the Calculation Agent, any of the Issuer's affiliates or any Hedge Provider in respect of the Fund (including, without limitation, any information required by the Issuer or the Calculation Agent in the execution of its duties and obligations under the Securities or required by the Issuer or the Calculation Agent in order to determine whether any Fund Event has occurred or to make any other determination permitted by it in respect of the Securities) or (B) information that has been previously delivered to the Issuer, the Calculation Agent, any of the Issuer's affiliates or any Hedge Provider, in accordance with such person's, or its authorised representative's, normal practice and that the Issuer or the Calculation Agent deems necessary for it to perform its duties and obligations under the Securities or that the Issuer or the Calculation Agent deems is required by it in order to determine whether any Fund Event has occurred or to make any other determination permitted by it in respect of the Securities (including, in either case, monitoring the Fund's compliance with any Portfolio Guidelines, asset allocation methodologies, the occurrence of any Fund Event or any other similar policies relating to such Reference Assets).

(iii) Reference Assets:

Any of the following events relating to the Reference Assets occurs:

- (A) a subdivision, reclassification or distribution of Reference Assets which has a diluting or concentrative or other effect on the value (theoretical or otherwise) of the Reference Assets;
- (B) a portion of each Reference Asset is converted (whether by way of redemption and re-issue or otherwise) into new securities participating in the capital of the Fund, which securities are subject to lock-up periods during which they may not be redeemed and which relate to any segregated assets of the Fund, or the Fund creates any other form of "side-pocket" which affects the Reference Assets;
- (C) a (i) dividend (including cash and whether ordinary or extraordinary), (ii) distribution or (iii) issue of Reference Assets, capital, securities, rights or other assets or interests to existing holders of Reference Assets which has or is likely to have an adverse effect on the value (theoretical or otherwise) of the Reference Assets;

- (D) any suspension or limitation on the trading of the relevant currencies in which the Reference Assets are denominated or any amendment to the currency of denomination of the Reference Assets so that their price is no longer calculated in the same currency as at the Inclusion Date of the Fund;  
or
- (iv) Trading and Fees:
  - (A) In respect of the Reference Assets, the Fund or any Fund Service Provider increases the level of any redemption fee, subscription fee, management fee, performance fee or a bid/offer spread (or other charge however described) above the level that would have been applicable to any Reference Assets held by any of the Issuer, any affiliate of the Issuer or any Hedge Provider on the Inclusion Date (regardless of whether any such person actually holds any Reference Assets as of such date).
  - (B) Any suspension of or limitation imposed on trading of the Fund or on trading in the Reference Assets (for any reason, including, without limitation, by reason of liquidity restrictions) or any dealing request made by any investor or prospective investor in the Fund or the Reference Assets is deferred in whole or in part or is made at a value other than the related NAV or price, as applicable.
  - (C) The frequency at which Reference Assets can be traded is amended or the timing for subscription or redemption of Reference Assets is amended, in each case so that it is no longer that specified in the Fund Documents and/or Fund Prospectus as they prevailed on the Inclusion Date, including, without limitation, an amendment to the timetable for payment of redemption proceeds upon redemption.
  - (D) If any of the Issuer, any of its affiliates or any Hedge Provider redeems Reference Assets or is entitled to any other amount and:
    - (I) does not receive the full proceeds of such redemption or amount in cash in accordance with the timing set out in the Fund Documents or the Fund Prospectus; or
    - (II) receives any in-kind distribution in full or part satisfaction of the redemption proceeds or such other amount paid or payable to it,

or the Issuer or the Calculation Agent on its behalf determines that either (I) or (II) above would be applicable were the Issuer, any of its affiliates or any Hedge Provider to redeem Reference Assets or be entitled to actual payment of any such other amount.

(v) Fund Adviser and Fund Service Provider Failures:

- (A) The Fund Adviser indicates or acknowledges that in its opinion the strategy/investment objective of the Fund will not be, or is no longer able to be, met.
- (B) Any representations, covenants or agreements of the Fund Adviser under the investment management agreement or investment advisory agreement (howsoever described) relating to the Fund have been breached and not cured.
- (C) Any of: (a) the resignation, termination of appointment or replacement of the Fund Adviser from its role as such occurs or the resignation, termination of appointment or replacement of any other Fund Service Provider from its role as such occurs with respect to the Fund or (b) any change in the personnel of any Fund Service Provider occurs which the Issuer or the Calculation Agent on its behalf considers materially adversely affects the ability of such Fund Service Provider to carry out its duties with respect to the Fund.
- (D) The Issuer or the Calculation Agent on its behalf becomes aware of any failure by the Fund or any person on its behalf to disclose to the Issuer or the Calculation Agent on its behalf, on or before the Inclusion Date, any information, event or circumstance that was in existence on such date and that would have been necessary to enable the Issuer or the Calculation Agent to make an informed assessment of the assets and liabilities, financial position and prospects of the Fund and of the rights attaching to the Reference Assets.

(vi) General: Any other event occurs which the Issuer or the Calculation Agent on its behalf determines is analogous to any of the events specified in sub-paragraphs (i) to (v) above.

(c) Consequences of a Fund Event.

In respect of each Fund Event, following the occurrence of such an event (and regardless of whether or not such event is then continuing) the Issuer or the Calculation Agent on its behalf may take any of following actions (each, a “**Permitted Action**”):

- (i) (A) make such adjustments to any variable, calculation methodology, valuation, settlement or payment terms or any other terms and conditions of the Securities as the Issuer or the Calculation Agent on its behalf determines appropriate to account for the economic effect on the Securities of such Fund Event and (B) determine the effective date of the relevant adjustments; or
- (ii) select a Replacement Fund and a Substitution Date. Following any such selection (A) the Replacement Fund shall replace the affected Fund on the Substitution Date, (B) references herein to the name of the affected Fund shall be deemed to be references to the name of the Replacement Fund with effect from the Substitution Date and (C) the Issuer or the Calculation Agent on its behalf may make such adjustment as it determines to be appropriate, if any, to any variable, calculation methodology, valuation, settlement or payment terms or any other terms and conditions in relation to the Securities to reflect such substitution; or
- (iii) terminate all, but not some only, of the Securities, on the date notified to Holders in accordance with General Condition 4 and redeem the Securities at their fair market value immediately prior to such Fund Event less (i) the cost to the Issuer of unwinding any related hedging and funding arrangements (as determined by the Issuer); and (ii) the deduction of taxes, expenses and other similar charges; or;
- (iv) make such adjustments to any variable, calculation methodology, valuation, settlement or payment terms or any other terms and conditions of the Securities as the Issuer or the Calculation Agent on its behalf determines are necessary to reflect a notional liquidation of all of the Reference Assets (with the timing of such notional liquidations being the same timing as would be the case on an actual liquidation of Reference Assets at the relevant time) and a notional investment of the liquidation proceeds in either (A) a zero coupon bond, or equivalent, such that if the proceeds allow, the amount payable at redemption of such zero coupon bond is at least an amount per Security equal to the Issue Price of the Security, (B) an interest bearing deposit bearing interest at prevailing rates that would be offered by the Issuer in respect of such a deposit as determined by the Issuer or the Calculation Agent on its behalf, or (C) commercial paper rated at least A1/P1 or above by Moody’s Investors Service, Inc. (any transaction costs that would be incurred in respect of an actual

such investment may be notionally charged to the Securities) (any of (A), (B) or (C), a “**Suspension Asset**”).

Notwithstanding that the Issuer or the Calculation Agent on its behalf may have previously determined not to take a Permitted Action, or to take one Permitted Action, it shall not be prevented from subsequently or concurrently deciding to adopt an additional or different Permitted Action in respect of the same Fund Event (whether on one or any number of occasions). In such respect, the Issuer or the Calculation Agent on its behalf may make such adjustments to any variable, calculation methodology, valuation, settlement or payment terms or any other terms and conditions of the Securities as it determines appropriate to account for the decision subsequently or concurrently made.

Notwithstanding anything in this sub-paragraph 4(c), neither the Issuer nor the Calculation Agent is under any obligation to determine that a Fund Event has occurred or to take any or all of the Permitted Actions. Any determinations made by the Issuer or the Calculation Agent on its behalf in respect of any of the Permitted Actions shall, in the absence of manifest error, be binding.

(d) Fund Event Methodology and Determinations:

- (i) If, in respect of any determination or calculation hereunder which is made by reference to an official or estimated NAV of a Fund provided or published by or on behalf of the Fund or, where the Fund is an exchange traded fund, the last reported trading price of the Reference Asset on the Exchange in respect of a particular date, the Issuer or the Calculation Agent on its behalf determines that such value does not fairly represent the value of the Fund or Reference Asset as of such date, or that no such value is provided or published, then the Issuer or the Calculation Agent on its behalf may use such other value as it determines as representing a fair NAV or price, as applicable, as of such date or, alternatively, may use a preceding official or estimated value where it believes that such preceding official or estimated value gives a fairer representation than the more recent figure.
- (ii) Should the Fund operate equalisation procedures in respect of performance or incentive based fees, the Issuer or the Calculation Agent on its behalf may make such adjustments to these Product Conditions as the Issuer or the Calculation Agent on its behalf determines appropriate to account for such equalisation in an equitable manner and, where such equalisation procedures operate by the issuance of different classes of shares in the Fund, then each of the Issuer and the Calculation Agent is permitted to deem any notional subscription or redemption on behalf of the

Securities to be in such order and in respect of such classes as appear to it to be equitable and reasonable or to deem the return of such shares to be based on a benchmark or average of the different classes.

(iii) For the avoidance of doubt and notwithstanding any other Condition, the Issuer and the Calculation Agent on its behalf shall be entitled to make any determination, waiver, declaration or decision with regard to a Fund Event and, without limitation, may make such determination, waiver, declaration or decision by reference to the establishment, operation and/or efficacy (whether actual or anticipated) of any Relevant Hedging Transaction. Neither the Issuer nor the Calculation Agent is under any obligation to monitor or determine whether or not a Fund Event has occurred and will not be required to, and will not be responsible for any failure to, make any determination, waiver, declaration or decision whatsoever in relation to a Fund Event. In making or omitting to make any such determination, waiver, declaration or decision, neither the Issuer nor the Calculation Agent shall be under any fiduciary duty towards the Holders and, for the avoidance of doubt, neither the Issuer nor the Calculation Agent shall be responsible for any loss, underperformance or opportunity cost suffered or incurred by Holders in connection with the Securities as a result thereof, howsoever arising.

(e) The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determinations. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

## 5. EFFECT OF FINAL TERMS

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

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**CONDITIONS: PRODUCT CONDITIONS**  
**RELATING TO BASKET RELATED CAPITAL PROTECTED NOTES**

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*The Product Conditions which follow relate to the Securities and must be read in conjunction with, and are subject to, the applicable Final Terms and the General Conditions (whether or not attached to this document). The applicable Final Terms, the Product Conditions and the General Conditions together constitute the Conditions of the Securities and will be printed on any Definitive Securities and attached to any Global Security representing the Securities.*

1. DEFINITIONS

“**Agent**” means the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and together, the “**Agents**”, which expression shall include any other Agent appointed pursuant to the provisions of General Condition 12;

“**Basket**” means the basket specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Bond Index Component Performance**” means (if applicable) the performance of the Bond Index Components determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Business Day**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business;

“**Cash Amount**” means an amount determined by the Calculation Agent in accordance with the formula specified in the definition of the relevant Series in the applicable Final Terms, less Expenses.

The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

“**Clearing Agent**” means each clearing agent(s) and clearing system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a “**Clearing Agent**” and together the “**Clearing Agents**”);

“**Commodity**” means each commodity (if any) specified as such in the definition of Commodity Component specified in the definition of Basket, subject to Product Condition 4;

“**Commodity Index**” means the commodity index (if any) specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Commodity Component Performance**” means (if applicable) the performance of the Commodity Components determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Commodity Reference Price**” means in relation to each Commodity and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, an amount equal to the price of the Commodity on the Exchange at the Valuation Time on a Valuation Date, the Interim Amount Cash Settlement Date or the Issuer Call Date, as applicable, as determined by or on behalf of the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such price can be determined and no Market Disruption Event has occurred and is continuing) an amount determined by the Calculation Agent as its good faith estimate of the Commodity Reference Price on such date having regard to the then prevailing market conditions, the last reported price of the Commodity and such other factors as the Calculation Agent determines to be relevant, subject to adjustment in accordance with Product Condition 4;

“**Coupon**” means, if the Securities are interest bearing, an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount;

“**Emerging Market Disruption Event**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

- (i) Moratorium. A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or
- (ii) Price Source Disruption. It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or
- (iii) Governmental Default. With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (A) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (B) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (C) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any

lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or

(iv) Inconvertibility/non-transferability. The occurrence of any event which (A) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (B) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or

(v) Nationalisation. Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or

(vi) Illiquidity. It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or

(vii) Change in Law. A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or

(viii) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or

(ix) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency, or where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or

(x) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities;

“**Exchange**” means (i) in relation to each Commodity (if applicable), the exchange or quotation system specified as such in the definition of Basket or any successor to such exchange or quotation system; (ii) in relation to each Index (if applicable) which is not a Commodity Index, the exchange or quotation system from which the Index Sponsor takes the prices of the shares or other securities that comprise the Index (the “**Shares**”) to compute the Index or any successor to such exchange or quotation system; or (iii) with respect to a Commodity Index (if applicable), the exchange or quotation system or any substitute exchange or quotation system in which trading of the futures or options contracts in the Index or its components principally occurs or the exchange or quotation system where trading has a material effect on the overall

market for futures or options contracts relating to the Index or its components, in each case as determined by the Issuer, acting in good faith;

“**Expenses**” means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment due following exercise or otherwise in respect of such Security;

“**Final Terms**” means the document containing the specific terms relating to the Securities;

“**Governmental Authority**” is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate;

“**Index**” means each index or Commodity Index (if any) specified as such in the definition of Index Component, Real Estate Index Component and Bond Index Component, in each case if applicable, specified in the definition of Basket, subject to Product Condition 4;

“**Index Sponsor**” means the corporation or other entity that (i) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Index and/or (ii) announces (directly or through an agent) the level of the relevant Index on a regular basis during each Trading Day and references to Index Sponsor shall include any successor index sponsor pursuant to Product Condition 4;

“**Index Component Performance**” means (if applicable) the performance of the Index Components determined in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Index Reference Price**” means, in relation to each Index and unless specified otherwise in the definition of the relevant Series in the applicable Final Terms, the level of the Index at the Valuation Time on a Valuation Date, Interim Amount Cash Settlement Date or Issuer Call Date, as applicable, as determined by the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such level can be determined and no Market Disruption Event has occurred and is continuing) a level determined by the Calculation Agent as its good faith estimate of the official closing level of the Index on such date having regard to the then prevailing market conditions, the last reported trading price(s) of (a) the Shares (in respect of an Index which is not a Commodity Index) or (b) the components of the Index (in respect of a Commodity Index) and such other factors as the Calculation Agent determines relevant, subject to adjustment in accordance with Product Condition 4;

“**Initial Commodity Reference Price**” means, in relation to each Commodity and unless specified otherwise in the definition of the relevant Series in the applicable Final Terms, an amount equal to the price of the Commodity on the Exchange at the Valuation Time on the Pricing Date as determined by or on behalf of the

Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such price can be determined and no Market Disruption Event has occurred and is continuing) an amount determined by the Calculation Agent as its good faith estimate of the price of such Commodity on such date having regard to the then prevailing market conditions, the last reported price of the Commodity and such other factors as the Calculation Agent determines to be relevant;

**“Initial Index Reference Price”** means, in relation to each Index and unless specified otherwise in the definition of the relevant Series in the applicable Final Terms, the level of the Index at the Valuation Time on the Pricing Date as determined by the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such level can be determined and no Market Disruption Event has occurred and is continuing) a level determined by the Calculation Agent as its good faith estimate of the official closing level of the Index on such date having regard to the then prevailing market conditions, the last reported trading price(s) of (a) the Shares on the Exchange (in respect of an Index which is not a Commodity Index) or (b) the components of the Index on the Exchange (in respect of a Commodity Index) and such other factors as the Calculation Agent determines relevant;

**“Interest Amount”** means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount an amount calculated by the Calculation Agent as follows:

$$\text{Nominal Amount} \times \text{Interest Rate} \times \text{Interest Rate Day Count Fraction};$$

**“Interest Payment Dates”** means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Interest Period”** means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date or the Issuer Call Date, as the case may be, and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date or the Issuer Call Date, as the case may be;

**“Interest Rate”** means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, the rate (if any) specified as such, or determined in accordance with the formula specified, in the definition of the relevant Series in the applicable Final Terms;

**“Interest Rate Day Count Fraction”** means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms;

**“Interim Cash Settlement Amount”** means, if “Interim Cash Settlement Amount” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, an amount determined by the Calculation Agent on the Interim Cash Settlement Valuation Date in accordance with the formula set out in the applicable Final Terms, less Expenses.

The Interim Cash Settlement Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

**“Interim Cash Settlement Amount Payment Date”** means, if “Interim Cash Settlement Amount” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, three Business Days following the Interim Cash Settlement Amount Valuation Date;

**“Interim Cash Settlement Amount Valuation Date”** means, if “Interim Cash Settlement Amount” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the date specified as such in the definition of the relevant Series in the applicable Final Terms, or if such date is not a Trading Day, the first Trading Day thereafter unless, in the determination of the Calculation Agent, a Market Disruption Event has occurred on that day in which case, the Interim Cash Settlement Amount Valuation Date shall be the first succeeding Trading Day on which the Calculation Agent determines that there is no Market Disruption Event, unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Market Disruption Event) would have been an Interim Cash Settlement Amount Valuation Date. In that case (a) the last day of the Relevant Number of Trading Days shall be deemed to be the Interim Cash Settlement Amount Valuation Date (regardless of the Market Disruption Event); and (b) the Calculation Agent shall determine the Index Reference Price (if applicable) or the Commodity Reference Price (if applicable) as the case may be, having regard to the then prevailing market conditions, the last reported trading price of the Commodity (if applicable) and the Shares (if applicable) on the Exchange and such other factors as the Calculation Agent determines to be relevant;

**“Issue Date”** means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Issuer”** means The Royal Bank of Scotland Group plc incorporated in Scotland with its statutory seat in Edinburgh;

**“Issuer Call”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the termination of the Securities by the Issuer in accordance with Product Condition 3(b);

**“Issuer Call Cash Amount”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final

Terms, less Expenses. The Issuer Call Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

**“Issuer Call Commencement Date”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the date specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Issuer Call Date”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each date specified as such in the definition of the relevant Series in the applicable Final Terms or, if no such date is specified, in the notice delivered in accordance with Product Condition 3(b);

**“Issuer Call Notice Period”** means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the period specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Market Disruption Event”** means each event specified as such in Product Condition 4, any Additional Market Disruption Events specified as such in the definition of the relevant Series in the applicable Final Terms and any Emerging Market Disruption Event;

**“Maturity Date”** means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Nominal Amount”** means the amount specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Payment Day”** means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign exchange currency deposits) in the principal financial centre for the Settlement Currency or if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET 2) System is open;

**“Pricing Date”** means the date specified as such in the definition of the relevant Series in the applicable Final Terms subject to adjustment by the Issuer in adverse market conditions if, in the opinion of the Issuer, circumstances so require;

**“Real Estate Index Component Performance”** means (if applicable) the performance of the Real Estate Index Components determined in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Related Exchange”** means an options or futures exchange or quotation system on which options contracts or futures contracts or other derivatives contracts on the Commodity (if applicable) or on the Index (if applicable) are traded;

**“Relevant Currency”** means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying, is located provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt (“**ADR**”) or Global Depositary Receipt (“**GDR**”), the constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition;

**“Relevant Currency Exchange Rate”** means, each rate of exchange between the Relevant Currency and the Settlement Currency, or where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time;

**“Relevant Number of Trading Days”** means the number of Trading Days, if any, specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Securities”** means each Series of basket related capital protected notes specified in the applicable Final Terms and each such note a “**Security**”. References to the terms “**Securities**” and “**Security**” shall be construed severally with respect to each Series;

**“Series”** means the series of Securities set out in the applicable Final Terms;

**“Settlement Currency”** means the currency specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Settlement Date”** means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

**“Standard Currency”** means unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time;

**“Trading Day”** means, unless specified otherwise in the definition of the relevant Series in the applicable Final Terms, in relation to each Index (if applicable), any day on which the Index Sponsor should calculate and publish the closing level of the Index according to its rules and, in relation to each Commodity (if applicable), any day that is (or but for the occurrence of a Market Disruption Event, would have been) a trading day on each Exchange or Related Exchange other than a day on which trading on the Exchange or Related Exchange is scheduled to close prior to its regular weekday closing time;

“**Valuation Date**” means the date or dates specified as such in the definition of the relevant Series in the applicable Final Terms or if such day is not a Trading Day the first Trading Day thereafter unless, in the determination of the Calculation Agent, a Market Disruption Event has occurred on that day in which case the Valuation Date shall be the first succeeding Trading Day on which the Calculation Agent determines that there is no Market Disruption Event, unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Market Disruption Event) would have been a Valuation Date. In that case (a) the last day of the Relevant Number of Trading Days shall be deemed to be the Valuation Date (regardless of the Market Disruption Event ) and (b) the Calculation Agent shall determine the Index Reference Price if applicable) or the Commodity Reference Price (if applicable) as the case may be, having regard to the then prevailing market conditions, the last reported trading price(s) of (i) the Commodity, or (ii) the Shares on the Exchange (in respect of an Index which is not a Commodity Index) or (c) the components of the Index on the Exchange (in respect of a Commodity Index) and such other factors as the Calculation Agent determines to be relevant;

“**Valuation Time**” means:

- (a) unless specified otherwise in the definition of the relevant Series in the applicable Final Terms:
  - (i) with respect to Oil (if specified as applicable in the definition of Commodity Component specified in the definition of Basket), the close settlement price per barrel of West Texas Intermediate light sweet crude oil on the NYMEX of the first WTI light sweet crude oil futures contract and in the case of each Commodity, such other time as the Issuer may select in its absolute discretion and notify to Holders in accordance with General Condition 4; and
  - (ii) with respect to Natural Gas (if specified as applicable in the definition of Commodity Component specified in the definition of Basket), the close settlement price per one million British thermal units (MMBTU) of Natural Gas on the NYMEX of the first Henry Hub Natural Gas Futures Contract and in the case of each Commodity, such other time as the Issuer may select in its absolute discretion and notify to Holders in accordance with General Condition 4; and
  - (iii) with respect to Aluminium (if specified as applicable in the definition of Commodity Component specified in the definition of Basket), and Copper (if specified as applicable in the definition of Commodity Component specified in the definition of Basket), the close of the second ring session on the Exchange and in the case of each Commodity, such other time as the Issuer may select in its absolute discretion and notify to Holders in accordance with General Condition 4; and
  - (iv) with respect to each Index (if specified as applicable in the definition of Commodity Component specified in the definition of Basket), in respect of (x) the AEX-index, the time

with reference to which the Index Sponsor calculates the exchange delivery settlement price (the average of the prices of the AEX-index calculated at one minute intervals between 15.30 and 16.00 Amsterdam time) or (y) any other Index, the time with reference to which the Index Sponsor calculates the closing level of the Index or in relation to (x) and (y) at such other time as the Issuer may determine in its absolute discretion and notify to Holders in accordance with General Condition 4; and

- (b) with respect to any other component to the Basket, the time specified as such in the applicable Final Terms; and

“**Weight**” means for each Commodity (if applicable) and each Index (if applicable) the percentage specified as such in the definition of Basket, subject to adjustment in accordance with Product Condition 4.

Terms in capitals which are not defined in these Product Conditions shall have the meanings ascribed to them in the General Conditions.

## 2. FORM

- (a) Global Form. Except in the case of Securities issued in the form described in either Product Condition 2(b) or 2(c), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the “**Global Security**”) which will be deposited with a Clearing Agent or the depository for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term “**Holder**” shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested as regards the Issuer and the Agents, solely in the bearer of the Global Security.
- (b) Dematerialised Form. Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect

from time to time (the “**Rules**”). Accordingly, in these Conditions, the term “**Holder**” means a person in whose name a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

If CREST is specified as the Clearing Agent in the relevant Final Terms, the Securities will be cleared through CREST. Such Securities will be registered securities in dematerialised and uncertificated form, and will be (i) participating securities and (ii) uncertificated securities in accordance with the Uncertificated Securities Regulations 2001 (SI. No. 3755) as amended, supplemented or replaced from time to time (the “**Regulations**”).

Securities cleared through CREST may be transferred in accordance with the Regulations and the rules, procedures and practices of the relevant Operator (as defined below). No transfer of such Securities will be valid unless and until entered on the relevant Operator register of corporate securities (as defined in and in accordance with, the Regulations).

In the case of Securities cleared through CREST, title to the Securities is recorded on the relevant Operator register of corporate securities (as defined in the Regulations). The Registrar on behalf of the Issuer will maintain a register of such Securities recorded on the relevant Operator register of corporate securities (the “**Register**”) and shall procure that the Register is regularly updated to reflect the Operator register of corporate securities in accordance with the rules and practices from time to time of the Operator and the Regulations. Subject to this requirement, (i) each person who is for the time being shown in the Register as the holder of such Securities shall be treated by the Issuer and the Registrar as the holder of such Securities for all purposes and (ii) neither the Issuer nor the Registrar shall be liable in respect of any act or thing done or omitted to be done by it or on its behalf in reliance upon the assumption that the particulars entered in the Register which the Registrar maintains are in accordance with particulars entered in the Operator register of corporate securities relating to such Securities (and the expression “**Holder**” and related expressions shall be construed accordingly).

Any reference to the “**Operator**” (as such term is used in the Regulations) shall be to CREST and shall, whenever the context so permits, be deemed to include a reference to any such additional or alternative Operator approved by the Issuer from time to time in accordance with the Regulations and notified to the relevant Holders in accordance with General Condition 4.

Any indication herein that the Operator “shall do”, or similar expression or phrase indicating that they are obliged to or will carry out any role or obligation described in the Conditions and/or the applicable Final Terms, as the case may be, is given without any assumption by the Issuer, the relevant Registrar or the Calculation Agent of responsibility or liability for the performance of the Operator.<sup>3</sup>

RIGHTS AND PROCEDURES

- (a) Redemption on the Settlement Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer, in respect of each Nominal Amount, at the Cash Amount, such redemption to occur on the Settlement Date.
- (b) Issuer Call. If “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the Issuer may redeem the Securities in whole, but not in part, on any Issuer Call Date at the Issuer Call Cash Amount by giving Holders at least the Issuer Call Notice Period notice of its intention to redeem the Securities, such notice to be given at any time from (and including) the Issuer Call Commencement Date. Any such notice shall be given in accordance with the provisions of General Condition 4 and shall specify the Issuer Call Date.
- (c) Interim Cash Settlement Amount. If “Interim Cash Settlement Amount” is specified as "Applicable" in the definition of the relevant Series in the applicable Final Terms, the Issuer shall pay or cause to be paid an amount in respect of each Security equal to the Interim Cash Settlement Amount on the Interim Cash Settlement Amount Payment Date.
- (d) Interest Amount. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction and is payable on each Interest Payment Date or the Issuer Call Date (if applicable), as the case may be.
- (e) Interest Accrual. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date or the Issuer Call Date, as the case may be, in the event that payment of any amount is postponed due to a Market Disruption Event.
- (f) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (a) if “Modified Following” is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (b) if “Following” is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.

- (g) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent, or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount, any Interest Amount, Issuer Call Cash Amount or any Interim Cash Settlement Amount.
- (h) Settlement Risk. Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and none of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. None of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- (i) Method of Payment. Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.
- (j) Presentation and Surrender. Unless the Securities are cleared through CREST, the Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid. Where the Securities are cleared through CREST, General Condition 20 shall apply.

#### 4. ADJUSTMENTS

- a) Market Disruption. The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred.

A “**Market Disruption Event**” relating to a Commodity (if applicable) means:

- (a) Price Source Disruption. The failure by the Exchange to announce or publish the price for the Commodity (or the information necessary for determining such price), or the temporary or permanent discontinuance or unavailability of such price by the Exchange; or
- (b) Trading Suspension. The material suspension of trading on the Exchange or any Related Exchange; or
- (c) Disappearance of Price. The failure of trading to commence, or the permanent discontinuation of trading of the Commodity on the Exchange; or
- (d) Material Change in Formula. The occurrence, since the Issue Date, of a material change in the basis for (including but not limited to the quantity, quality or currency), or method of calculating the price of the Commodity; or
- (e) Material Change in Content. The occurrence, since the Issue Date, of a material change in the content or composition of the Commodity; or
- (f) De Minimis Trading. The number of contracts traded on the Exchange with respect to the Commodity is such that the Issuer declares that its ability to enter into hedging transactions with respect to the Commodity has been impaired due to a lack of, or, a material reduction in, trading in the Commodity on the Exchange; or
- (g) Tax Disruption. The imposition of, change in, or removal of an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measured by reference to, the Commodity (other than a tax on, or measured by reference to, overall gross or net income) by any government or taxation authority after the Issue Date if the direct effect of such imposition, change or removal is to raise or lower the price of the Commodity on the Interim Cash Settlement Amount Valuation Date, the relevant Valuation Date or the Final Valuation Date as the case may be and/or on each of the three Trading Days following the Interim Cash Settlement Amount Valuation Date, the relevant Valuation Date or the Final Valuation Date as the case may be from what it would have been without that imposition, change or removal; or
- (h) Trading Limitation. The material limitation imposed on trading in the Commodity with respect to it or any contract with respect thereto on any exchange or principal trading market; or
- (i) Moratorium. A general moratorium is declared in respect of banking activities in the country in which the Exchange or Related Exchange is located; or
- (j) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities.

In respect of an Index (if applicable) which is not a Commodity Index, A “**Market Disruption Event**” means:

- (a) a general moratorium is declared in respect of banking activities in the country in which the Exchange or Related Exchange is located;
- (b) the occurrence or existence on any Trading Day during the one hour period that ends at the official close of trading on the Exchange or any Related Exchange of any suspension of or limitation imposed on trading or the disruption or impairment in the ability of market participants in general to effect transactions (by reason of movements in price reaching or exceeding limits permitted by the relevant exchange or otherwise);
- (c) on any Exchange(s) in securities that comprise 20 per cent or more of the level of the relevant Index if, in the determination of the Calculation Agent, such suspension or limitation is material. For the purpose of determining whether such suspension or limitation is material, if trading in a security included in the Index is suspended or materially limited at that time, then the relevant percentage contribution of that security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that security relative to (y) the overall level of the Index, in each case immediately before that suspension or limitation; or
- (d) on any Related Exchange in any options contracts or futures contracts or other derivatives contracts relating to the relevant Index. In any event, a limitation on the hours and number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the relevant exchange, but a limitation on trading imposed during the course of the day by reason of movements in price otherwise exceeding levels permitted by the relevant exchange may, if so determined by the Calculation Agent, constitute a Market Disruption Event.

In respect of a Commodity Index (if applicable), “**Market Disruption Event**” means, in relation to the Commodity Index or its components:

- (i) **Price Source Disruption.** The failure by the Exchange to announce or publish the price of the Commodity Index or any of its components (or the information necessary for determining such price(s)) or the temporary or permanent discontinuance or unavailability of such price(s) by the Exchange; or
- (ii) **Trading Suspension.** The material suspension of trading on the Exchange; or
- (iii) **Disappearance of Price.** The permanent discontinuation of trading in the Commodity Index or any of its components on the Exchange, disappearance of, or of trading in, the Commodity Index or any of its components or the disappearance or permanent discontinuance or unavailability of a reference price, notwithstanding the

availability of the related price source or the status of trading in the Commodity Index or any of its components;

(iv) **Material Change in Formula.** The occurrence, since the Issue Date, of a material change in the basis for (including but not limited to the quantity, quality or currency), or method of, calculating the price of a component of the Commodity Index; or

(v) **Material Change in Content.** The occurrence, since the Issue Date, of a material change in the content or composition of a Commodity Index or any of its components; or

(vi) **De Minimis Trading.** The number of contracts traded on the Exchange with respect to a Commodity Index or any of its components is such that the Issuer declares that its ability to enter into hedging transactions with respect to the Commodity Index or any of its components has been impaired due to a lack of, or a material reduction in, trading in the Commodity Index or any of its components on the Exchange; or

(vii) **Tax Disruption.** The imposition of, change in, or removal of, an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measured by reference to, a Commodity Index or any of its components (other than a tax on, or measured by reference to, overall gross or net income) by any government or taxation authority after the Issue Date, if the direct effect of such imposition, change or removal is to raise or lower the price of the Commodity Index or any of its components on the Valuation Date or Issuer Call Date, as the case may be, and/or on each of the three Trading Days following the Valuation Date or Issuer Call, as the case may be, from what it would have been without that imposition, change or removal; or

(viii) **Trading Limitation.** The material limitation imposed on trading in a Commodity Index or any of its components on any exchange or principal trading market; or

(ix) **Moratorium.** A general moratorium is declared in respect of banking activities in the country in which the Exchange is located; or

(x) **Other Events.** Any other event similar to any of the above which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities.

b) Adjustments to the Commodity (if applicable) and the Index (if applicable)

(1) If a Commodity (an “**Affected Commodity**”) for any reason ceases to exist, the Calculation Agent may determine in its sole discretion to either (A) replace that Affected Commodity by a successor commodity which has in the determination of the Calculation Agent the same or

substantially similar structure and a substantially similar economic impact as such Affected Commodity and is of a similar type to such Affected Commodity or (B) remove the Affected Commodity from the Basket and allocate the price of such Affected Commodity, pro rata to the remaining Commodities in the Basket.

- (2) Adjustments to the Index. The Calculation Agent shall give notice as soon as practicable to the Holders in accordance with General Condition 4 of any determination made by it pursuant to paragraphs (i), (ii), (iii) or (iv) below.
- (i) If any Index is (A) not calculated and announced by the Index Sponsor but is calculated and published by a successor to the Index Sponsor (the “**Successor Sponsor**”) acceptable to the Calculation Agent; or (B) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the relevant Index, then (in either case) the relevant Index will be deemed to be the index so calculated and announced by such Successor Sponsor or that successor index, as the case may be.
- (ii) If (A) on or prior to the Interim Cash Settlement Amount Valuation Date, the relevant Valuation Date or the Issuer Call Date, as the case may be the Index Sponsor or, if applicable, the Successor Sponsor makes a material change in the formula for or the method of calculating any Index or in any other way materially modifies an Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent securities or components, as the case may be, and other routine events); or (B) on or prior to the Interim Cash Settlement Amount Valuation Date, the relevant Valuation Date or the Issuer Call Date, as the case may be the Index Sponsor or, if applicable, the Successor Sponsor fails to calculate and/or publish any Index; then (in either case) the Calculation Agent shall determine the level of the Index using, in lieu of a published level for the relevant Index on the Interim Cash Settlement Amount Valuation Date, the relevant Valuation Date or the Issuer Call Date, as the case may be, the level for the relevant Index as determined by the Calculation Agent in accordance with the formula for and method of calculating the relevant Index last in effect prior to the change or failure, but using only those (a) in respect of an index which is not a Commodity Index, securities that comprised the relevant Index immediately prior to the change or failure (other than those securities that have since ceased to be listed on the Exchange or any other exchange on which the Shares are listed); or (b) in respect of a Commodity Index, commodity components that comprised the Index immediately prior to the change or failure (other than those components that have since ceased to be traded on the Exchange or any other exchange) or, in the case of a material modification of the Index only, shall deem such modified Index to be the Index so

calculated and announced or shall (if so required by the Issuer), by giving notice in accordance with General Condition 4, terminate the Securities and pay to each Holder in respect of each Security held by such Holder an amount equal to the fair market value of the Security immediately prior to such material modification of the Index less the cost to the Issuer of unwinding any related hedging arrangements (as determined by the Issuer).

- (iii) If, at any time, any of the events specified in (A) to (H) below occurs and the Index Sponsor or, if applicable, the Successor Sponsor has not in the opinion of the Calculation Agent made an appropriate adjustment to the level of the relevant Index (which term excludes, for these purposes of this paragraph (iii), any Commodity Index) in order to account fully for such event, notwithstanding that the rules published or applied by the Index Sponsor or, if applicable, the Successor Sponsor pertaining to the Index have been applied, the Calculation Agent shall make such adjustment to the level of the relevant Index as it considers appropriate in order so to account for: (A) a distribution or dividend to existing holders of the Shares of (i) the Shares; or (ii) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the issuer of the Shares equally or proportionately with such payments to holders of Shares or (iii) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price; (B) a free distribution or dividend of any Shares to existing holders of the Shares by way of bonus, capitalisation or similar issue; (C) an extraordinary dividend; (D) any cash dividends declared on the Shares at a time when the relevant issuer of the Shares has not previously declared or paid dividends on such Shares for the prior four quarterly periods; (E) any non-cash dividends declared on the Shares at a time when the relevant issuer of the Shares has not previously declared or paid dividends on such Shares for the prior four quarterly periods; (F) any other extraordinary cash or non-cash dividend on, or distribution with respect to, the Shares which is, by its terms or declared intent, declared and paid outside the normal operations or normal dividend procedures of the relevant issuer of the Shares, provided that, in all cases, the related ex-dividend date occurs during the period from but including the Issue Date up to and excluding the Interim Cash Settlement Amount Valuation Date, the relevant Valuation Date or the Issuer Call Date, as the case may be; (G) a distribution of cash dividends on the Shares equal to or greater than 8 per cent. per annum of the then current market value of the Shares; and (H) any other similar event having a dilutive or concentrative effect on the theoretical value of the Shares.
- (iv) The Issuer reserves the right to issue further Securities, make adjustments or to distribute to the Holders any rights in connection with the Securities as it reasonably believes are appropriate in circumstances where an event or events occur which the Issuer (in its

absolute discretion and notwithstanding any adjustments previously made to the Securities) believes should, in the context of the issue of Securities and its obligations hereunder, give rise to such adjustment or distribution, provided that such adjustment is considered by the Calculation Agent either to be appropriate generally (without considering the individual circumstances of any Holder or the tax or other consequences of such adjustment in any particular jurisdiction) or to be required to take account of provisions of the laws of the relevant jurisdiction or the practices of the Exchange. The Issuer, in any event, reserves the right to in its absolute discretion terminate Securities linked to any Proprietary Index by giving notice in accordance with General Condition 4, in the event that the relevant Index Sponsor terminates, cancels or suspends, as the case may be, any such Proprietary Index.

The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determinations. In making any such determination and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and in a commercially reasonable manner.

5. EFFECT OF FINAL TERMS

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

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**CONDITIONS: PRODUCT CONDITIONS**  
**RELATING TO COMMODITY NOTES**

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*The Product Conditions which follow relate to the Securities and must be read in conjunction with, and are subject to, the applicable Final Terms and the General Conditions (whether or not attached to this document). The applicable Final Terms, the Product Conditions and the General Conditions together constitute the Conditions of the Securities and will be printed on any Definitive Securities and attached to any Global Security representing the Securities.*

1. DEFINITIONS

“**Agent**” means the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and together, the “**Agents**”, which expression shall include any other Agent appointed pursuant to the provisions of General Condition 12;

“**Basket**” means, unless for the relevant Series “Basket” is specified in the applicable Final Terms as being “Not Applicable”, the basket specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Business Day**” means, unless specified otherwise in the applicable Final Terms, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business;

“**Cash Amount**” means an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

“**Clearing Agent**” means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a “**Clearing Agent**” and together the “**Clearing Agents**”);

“**Commodity**” means each commodity specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Commodity Performance**” means, unless specified otherwise in the definition of the relevant Series in the applicable Final Terms, an amount determined by the Calculation Agent in accordance with the following formula:

$$(\text{Final Reference Price} / \text{Initial Reference Price}) - 1 \times (\text{IER/FER});$$

“**Coupon**” means, if the Securities are interest bearing, an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount;

“**Emerging Market Disruption Event**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

(i) **Moratorium.** A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or

(ii) **Price Source Disruption.** It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or

(iii) **Governmental Default.** With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (A) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (B) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (C) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or

(iv) **Inconvertibility/non-transferability.** The occurrence of any event which (A) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (B) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or

(v) **Nationalisation.** Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or

(vi) **Illiquidity.** It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or

- (vii) Change in Law. A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or
- (viii) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or
- (ix) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency, or where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or
- (x) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities;

“**Exchange**” means, with respect to each Commodity, the exchange specified as such in the definition of “Basket” or specified as such in the definition of the relevant Series in the applicable Final Terms or any successor to such exchange;

“**Exchange Rate**” means, unless specified otherwise in the definition of the relevant Series in the applicable Final Terms, the mid price of the rate of exchange between the Underlying Currency and the Settlement Currency as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time;

“**Expenses**” means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security;

“**Final Exchange Rate**” (“**FER**”) means the Exchange Rate on the Valuation Date;

“**Final Reference Price**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, an amount, subject to adjustment in accordance with Product Condition 4, equal to the price of the Commodity on the Exchange at the Valuation Time on the Valuation Date, as determined by or on behalf of the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such price can be determined and no Market Disruption Event has occurred and is continuing) an amount determined by the Calculation Agent as its good faith estimate of the price of the Commodity on such date having regard to the then prevailing market conditions, the last reported trading price of the Commodity on the Exchange and such other factors as the Calculation Agent determines to be relevant;

“**Final Terms**” means the document containing the specific terms relating to the Securities;

“**Governmental Authority**” is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate;

“**Initial Exchange Rate**” (“**IER**”) means the Exchange Rate on the Pricing Date;

“**Initial Reference Price**” means, unless specified otherwise in the definition of the relevant Series in the applicable Final Terms, an amount, subject to adjustment in accordance with Product Condition 4, equal to the price of the Commodity on the Exchange at the Valuation Time on the Pricing Date, as determined by or on behalf of the Calculation Agent without regard to any subsequently published correction or (if, the determination of the Calculation Agent, no such price can be determined and no Market Disruption Event has occurred and is continuing on such date) a price determined by the Calculation Agent as its good faith estimate of the price of the Commodity on such date having regard to the then prevailing market conditions, the last reported trading price of the Commodity and such other factors as the Calculation Agent determines relevant;

“**Interest Amount**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount, an amount calculated by the Calculation Agent as follows:

Nominal Amount x Interest Rate x Interest Rate Day Count Fraction;

“**Interest Payment Dates**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Interest Period**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date or the Issuer Call Date, as the case may be, and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date or the Issuer Call Date, as the case may be;

“**Interest Rate**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, the rate per annum specified as such, or determined in accordance with the formula specified, in the definition of the relevant Series in the applicable Final Terms;

“**Interest Rate Day Count Fraction**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms;

“**Issue Date**” means the date specified as such in the applicable Final Terms;

“**Issuer**” means The Royal Bank of Scotland Group plc incorporated in Scotland with its statutory seat in Edinburgh;

“**Issuer Call**” means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the termination of the Securities by the Issuer in accordance with Product Condition 3(b);

“**Issuer Call Cash Amount**” means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the amount specified, or determined by the Calculation Agent in accordance with the formula specified, in the definition of Issuer Call Cash Amount for the relevant Series in the applicable Final Terms, less Expenses. The Issuer Call Cash Amount payable to a Holder shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

“**Issuer Call Commencement Date**” means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the date specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Issuer Call Date**” means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each date specified as such in the definition of the relevant Series in the applicable Final Terms or, if such date is not a Trading Day, the first Trading Day thereafter unless, in the determination of the Calculation Agent, a Market Disruption Event has occurred on that day in which case the Issuer Call Date shall be the first succeeding Trading Day on which the Calculation Agent determines that there is no Market Disruption Event, unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Market Disruption Event) would have been an Issuer Call Date. In that case (i) the last day of the Relevant Number of Trading Days shall be deemed to be the Issuer Call Date (regardless of the Market Disruption Event) and (ii) the Calculation Agent shall determine the Issuer Call Cash Amount having regard to the then prevailing market conditions, the last reported trading price of the Commodity on the Exchange and such other factors as the Calculation Agent determines to be relevant or, if no such date is specified, in the notice delivered in accordance with Product Condition 3(b);

“**Issuer Call Notice Period**” means, if “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the period specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Market Disruption Event**” means each event specified as such in Product Condition 4, any Additional Market Disruption Events specified in the definition of the relevant Series in the applicable Final Terms and any Emerging Market Disruption Event;

“**Maturity Date**” means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Nominal Amount**” means the amount specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Participation**” means the rate specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Payment Day**” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign exchange currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET 2) System is open;

“**Pricing Date**” means the date or dates specified as such in the applicable Final Terms, subject to adjustment by the Issuer in adverse market conditions if, in the opinion of the Issuer, circumstances so require;

“**Related Exchange**” means an options or futures exchange or quotation system on which options contracts or futures contracts or other derivatives contracts on the Commodity are traded;

“**Relevant Currency**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying, is located provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt (“**ADR**”) or Global Depositary Receipt (“**GDR**”), the constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition;

“**Relevant Currency Exchange Rate**” means, each rate of exchange between the Relevant Currency and the Settlement Currency, or where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time;

“**Relevant Number of Business Days**” means the number of Business Days, if any, specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Relevant Number of Trading Days**” means the number of Trading Days, if any, specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Securities**” means each Series of the notes relating to each Commodity specified in the applicable Final Terms and each such note a “**Security**”. References to the terms “**Securities**” and “**Security**” shall be construed severally with respect to each Series specified in the applicable Final Terms;

“**Series**” mean each Series of Securities set out in the applicable Final Terms;

“**Settlement Currency**” means the currency specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Settlement Date**” means, unless specified otherwise in the applicable Final Terms, the Maturity Date or if later, the Relevant Number of Business Days following the Valuation Date;

“**Standard Currency**” means unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time;

“**Trading Day**” means any day that is (or, but for the occurrence of a Market Disruption Event, would have been) a trading day on each Exchange or Related Exchange other than a day on which trading on the Exchange or Related Exchange is scheduled to close prior to its regular weekday closing time;

“**Underlying Currency**” means each currency specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Valuation Date**” means the date or dates specified in the definition of the relevant Series in the applicable Final Terms or, if such date is not a Trading Day, the first Trading Day thereafter unless, in the determination of the Calculation Agent, a Market Disruption Event has occurred on that day in which case the Valuation Date shall be the first succeeding Trading Day on which the Calculation Agent determines that there is no Market Disruption Event, unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Market Disruption Event) would have been a Valuation Date. In that case (i) the last day of the Relevant Number of Trading Days shall be deemed to be the Valuation Date (regardless of the Market Disruption Event); and (ii) the Calculation Agent shall determine the Final Reference Price having regard to the then prevailing market conditions, the last reported trading price of the Commodity on the Exchange and such other factors as the Calculation Agent determines to be relevant;

“**Valuation Time**” means at or around the time specified as such in the definition of the relevant Series in the applicable Final Terms or such other time as the Issuer may select in its absolute discretion and notify to Holders in accordance with General Condition 4; and

“**Weight**” means, unless for the relevant Series “Basket” is specified in the applicable Final Terms as being “Not Applicable”, for each Commodity, the percentage specified as such in the definition of Basket of the relevant Series in the applicable Final Terms, subject to adjustment in accordance with Product Condition 4.

Terms in capitals which are not defined in these Product Conditions shall have the meanings ascribed to them in the General Conditions.

## 2. FORM

- (a) Global Form. Except in the case of Securities issued in the form described in either Product Condition 2(b) or 2(c), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the “**Global Security**”) which will be deposited with a Clearing Agent or the depository for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term “**Holder**” shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested as regards the Issuer and the Agents, solely in the bearer of the Global Security.
- (b) Dematerialised Form. Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time to time (the “**Rules**”). Accordingly, in these Conditions, the term “**Holder**” means a person in whose name a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

If CREST is specified as the Clearing Agent in the relevant Final Terms, the Securities will be cleared through CREST. Such Securities will be registered securities in dematerialised and uncertificated form, and will be (i) participating securities and (ii) uncertificated securities in accordance with the Uncertificated Securities Regulations 2001 (SI. No. 3755) as amended, supplemented or replaced from time to time (the “**Regulations**”).

Securities cleared through CREST may be transferred in accordance with the Regulations and the rules, procedures and practices of the relevant Operator (as defined below). No

transfer of such Securities will be valid unless and until entered on the relevant Operator register of corporate securities (as defined in and in accordance with, the Regulations).

In the case of Securities cleared through CREST, title to the Securities is recorded on the relevant Operator register of corporate securities (as defined in the Regulations). The Registrar on behalf of the Issuer will maintain a register of such Securities recorded on the relevant Operator register of corporate securities (the “**Register**”) and shall procure that the Register is regularly updated to reflect the Operator register of corporate securities in accordance with the rules and practices from time to time of the Operator and the Regulations. Subject to this requirement, (i) each person who is for the time being shown in the Register as the holder of such Securities shall be treated by the Issuer and the Registrar as the holder of such Securities for all purposes and (ii) neither the Issuer nor the Registrar shall be liable in respect of any act or thing done or omitted to be done by it or on its behalf in reliance upon the assumption that the particulars entered in the Register which the Registrar maintains are in accordance with particulars entered in the Operator register of corporate securities relating to such Securities (and the expression “**Holder**” and related expressions shall be construed accordingly).

Any reference to the “**Operator**” (as such term is used in the Regulations) shall be to CREST and shall, whenever the context so permits, be deemed to include a reference to any such additional or alternative Operator approved by the Issuer from time to time in accordance with the Regulations and notified to the relevant Holders in accordance with General Condition 4.

Any indication herein that the Operator “shall do”, or similar expression or phrase indicating that they are obliged to or will carry out any role or obligation described in the Conditions and/or the applicable Final Terms, as the case may be, is given without any assumption by the Issuer, the relevant Registrar or the Calculation Agent of responsibility or liability for the performance of the Operator.

### 3. RIGHTS AND PROCEDURES

- a) Redemption on the Settlement Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer, in respect of each Nominal Amount, at the Cash Amount, such redemption to occur on the Settlement Date.
- b) Issuer Call. If “Issuer Call” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the Issuer may redeem the Securities in whole, but not in part, on any Issuer Call Date at the Issuer Call Cash Amount by giving Holders at least the Issuer Call Notice Period notice of its intention to redeem the Securities, such

notice to be given at any time from (and including) the Issuer Call Commencement Date. Any such notice shall be given in accordance with the provisions of General Condition 4 and shall specify the Issuer Call Date.

- c) Interest Amount. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction, and is payable on each Interest Payment Date and the Issuer Call Date (if applicable).
- d) Interest Accrual. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date or the Issuer Call Date, as the case may be, in the event that payment of any amount is postponed due to a Market Disruption Event.
- e) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (a) if “Modified Following” is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (b) if “Following” is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.
- f) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent, or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount, any Issuer Call Cash Amount or any Interest Amount.
- g) Settlement Risk. Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and none of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. None of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- h) Method of Payment. Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on

behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.

- i) Presentation and Surrender. Unless the Securities are cleared through CREST, the Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid. Where the Securities are cleared through CREST, General Condition 20 shall apply.

#### 4. ADJUSTMENTS

(a) Market Disruption. The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred.

A “**Market Disruption Event**” means:

- (i) Price Source Disruption. The failure by the Exchange to announce or publish the price for the Commodity (or the information necessary for determining such price), or the temporary or permanent discontinuance or unavailability of such price by the Exchange; or
- (ii) Trading Suspension. The material suspension of trading on the Exchange or any Related Exchange; or
- (iii) Disappearance of Price. The failure of trading to commence, or the permanent discontinuation of trading of the Commodity on the Exchange; or
- (iv) Material Change in nature of or pricing method. The occurrence, since the Issue Date, of a material change in the basis for (including but not limited to the quantity, quality or currency), or method of calculating the price of the Commodity; or
- (v) Material Change in Content. The occurrence, since the Issue Date, of a material change in the content, composition of the Commodity; or

- (vi) De Minimis Trading. The number of contracts traded on the Exchange with respect to the Commodity is such that the Issuer declares that its ability to enter into hedging transactions with respect to the Commodity has been impaired due to a lack of, or, a material reduction in, trading in the Commodity on the Exchange; or
- (vii) Tax Disruption. The imposition of, change in, or removal of an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measured by reference to, the Commodity (other than a tax on, or measured by reference to, overall gross or net income) by any government or taxation authority after the Issue Date, if the direct effect of such imposition, change or removal is to raise or lower the price of the Commodity on the Valuation Date and/or on each of the three Trading Days following the Valuation Date from what it would have been without that imposition, change or removal; or
- (viii) Trading Limitation. The material limitation imposed on trading in the Commodity with respect to it or any contract with respect thereto on any exchange or principal trading market; or
- (ix) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities.

(b) The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determinations. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

## 5. EFFECT OF FINAL TERMS

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

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**CONDITIONS: PRODUCT CONDITIONS**  
**RELATING TO INDEX AND INFLATION INDEX NOTES**

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*The Product Conditions which follow relate to the Securities and must be read in conjunction with, and are subject to, the applicable Final Terms and the General Conditions (whether or not attached to this document). The applicable Final Terms, the Product Conditions and the General Conditions together constitute the Conditions of the Securities and will be printed on any Definitive Securities and attached to any Global Security representing the Securities.*

1. DEFINITIONS

“**Agent**” means the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and together, the “**Agents**”, which expression shall include any other Agent appointed pursuant to the provisions of General Condition 12;

“**Basket**” means, unless Basket is specified as Not Applicable in the applicable Final Terms, the basket specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Business Day**” means, unless specified otherwise in the applicable Final Terms, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business;

“**Cash Amount**” means an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

“**Clearing Agent**” means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a “**Clearing Agent**” and together the “**Clearing Agents**”);

“**Commodity Index**” means the commodity index (if any) specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4;

“**Coupon**” means, if the Securities are interest bearing, an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount;

“**Emerging Market Disruption Event**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

- (i) Moratorium. A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or
- (ii) Price Source Disruption. It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or
- (iii) Governmental Default. With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (A) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (B) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (C) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or
- (iv) Inconvertibility/non-transferability. The occurrence of any event which (A) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (B) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or
- (v) Nationalisation. Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or
- (vi) Illiquidity. It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or

- (vii) Change in Law. A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or
- (viii) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or
- (ix) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency, or where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or
- (x) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities;

“**Exchange**” means, (i) in respect of an Index which is not a Commodity Index, the exchange or quotation system from which the Index Sponsor takes the prices of the shares or other securities that comprise the Index (the “Shares”) to compute the relevant Index or any successor to such exchange or quotation system or (ii) in respect of an Index which is a Commodity Index, the exchange or quotation system or any substitute exchange or quotation system in which trading of the futures or options contracts in the Index or its components principally occurs or the exchange or quotation system where trading has a material effect on the overall market for futures or options contracts relating to the Index or its components, in each case as determined by the Issuer, acting in good faith; “**Expenses**” means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security;

“**Final Terms**” means the document containing the specific terms relating to the Securities;

“**Governmental Authority**” is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate;

“**Index**” means each index or Commodity Index specified as such in the definition of the Basket or specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4, and “**Indices**” shall be construed accordingly;

“**Index Final Reference Price**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the level of the Index at the Valuation Time on the Valuation Date, as determined by or on behalf of the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such level can be determined and no Market

Disruption Event has occurred and is continuing) an amount determined by the Calculation Agent as its good faith estimate of the official closing level of the Index, on such date having regard to the then prevailing market conditions, the last reported trading price(s) of (a) the Shares (in respect of an Index which is not a Commodity Index) or (b) the components of the Index (in respect of a Commodity Index) and such other factors as the Calculation Agent determines relevant, subject to adjustment in accordance with Product Condition 4;

**“Index Initial Reference Price”** means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the level of the Index at the Valuation Time on the Pricing Date, as determined by or on behalf of the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such level can be determined and no Market Disruption Event has occurred and is continuing) an amount determined by the Calculation Agent as its good faith estimate of the official closing level of the Index, on such date having regard to the then prevailing market conditions, the last reported trading price(s) of (a) the Shares on the Exchange (in respect of an Index which is not a Commodity Index) or (b) the components of the Index on the Exchange (in respect of a Commodity Index), and such other factors as the Calculation Agent determines relevant, subject to adjustment in accordance with Product Condition 4;

**“Index Sponsor”** means the corporation or other entity that (i) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Index or Inflation Index, as applicable and/or (ii) announces (directly or through an agent) the level of the relevant Index or Inflation Index, as applicable on a regular basis and references to Index Sponsor shall include any successor index sponsor pursuant to Product Condition 4;

**“Inflation Index”** means each inflation index specified as such in the definition of the Basket or specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4 and **“Inflation Indices”** shall be construed accordingly;

**“Inflation Index Final Reference Price”** means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the level of the Inflation Index for the Valuation Month, published by the Index Sponsor, as determined by the Calculation Agent without regard to any subsequently published correction. Any revision or amendment to the level of the Inflation Index after the initial publication thereof shall be disregarded for the purposes of determining the relevant level unless the Inflation Index is re-based as a result of such revision or amendment, in which case the level of the Inflation Index shall be subject to such amendments as the Calculation Agent, acting in its sole and absolute discretion, considers appropriate to preserve the economic features of the Securities. If, in the determination of the Calculation Agent, no such level can be determined (and no Market Disruption Event has occurred and is continuing), the level of the Inflation Index shall be a level determined by the Calculation Agent as its good faith estimate of the level of the Inflation Index for the relevant Valuation Month having regard to the last published level of the Inflation Index and such other factors as the Calculation Agent determines relevant;

“**Interest Amount**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount, an amount calculated by the Calculation Agent as follows:

Nominal Amount x Interest Rate x Interest Rate Day Count Fraction;

“**Interest Payment Dates**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Interest Period**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date;

“**Interest Rate**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, the rate specified as such, or determined in accordance with the formula specified, in the definition of the relevant Series in the applicable Final Terms;

“**Interest Rate Day Count Fraction**” means, if “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms;

“**Issue Date**” means the date specified as such in the applicable Final Terms;

“**Issuer**” means The Royal Bank of Scotland Group plc incorporated in Scotland with its statutory seat in Edinburgh;

“**Market Disruption Event**” means each event specified as such in Product Condition 4, any Additional Market Disruption Event specified in the definition of the relevant Series in the applicable Final Terms and any Emerging Market Disruption Event;

“**Maturity Date**” means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Nominal Amount**” means the amount specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Payment Day**” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign exchange currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET 2) System is open;

“**Pricing Date**” means the date or dates specified as such in the applicable Final Terms, subject to adjustment by the Issuer in adverse market conditions if, in the opinion of the Issuer, circumstances so required;

“**Related Exchange**” means an options or futures exchange or quotation system on which options contracts or futures contracts or other derivatives contracts on the Index are traded;

“**Relevant Currency**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying, is located provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt (“**ADR**”) or Global Depositary Receipt (“**GDR**”), the constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition;

“**Relevant Currency Exchange Rate**” means each rate of exchange between the Relevant Currency and the Settlement Currency, or where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time;

“**Relevant Number of Months**” means the number of months specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Relevant Number of Trading Days**” means the number of Trading Days, if any, specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Securities**” means each Series of the index and inflation index notes specified in the applicable Final Terms and each such note a “**Security**”. References to the terms “**Securities**” and “**Security**” shall be construed severally with respect to each Series specified in the applicable Final Terms;

“**Series**” mean each Series of Securities set out in the applicable Final Terms;

“**Settlement Currency**” means the currency specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Settlement Date**” means the Maturity Date or such other date as specified in the definition of the relevant Series in the applicable Final Terms;

“**Standard Currency**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United

Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time;

“**Trading Day**” means any day on which the Index Sponsor should calculate and publish the closing level of the Index according to its rules;

“**Underlying Currency**” means the currency specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Valuation Date**” means the date or dates specified as such in the definition of the relevant Series in the applicable Final Terms or, if any such day is not a Trading Day, the first Trading Day thereafter, unless, in the determination of the Calculation Agent, a Market Disruption Event has occurred on that day in which case the Valuation Date shall be the first succeeding Trading Day on which the Calculation Agent determines that there is no Market Disruption Event, unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Market Disruption Event) would have been a Valuation Date. In that case (i) the last day of the Relevant Number of Trading Days shall be deemed to be the Valuation Date (regardless of the Market Disruption Event); and (ii) the Calculation Agent shall determine the Index Final Reference Price having regard to the then prevailing market conditions, the last reported trading price(s) of (a) the Shares on the Exchange (in respect of an Index which is not a Commodity Index) or (b) the components of the Index on the Exchange (in respect of a Commodity Index) and such other factors as the Calculation Agent determines to be relevant; “**Valuation Month**” means each month specified as such in the definition of the relevant Series in the applicable Final Terms unless, in the determination of the Calculation Agent, a Market Disruption Event has occurred with respect to any month in which case that Valuation Month shall be the first succeeding calendar month for which the Calculation Agent determines that there is no Market Disruption Event, unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Relevant Number of Months immediately following the original month which (but for the Market Disruption Event) would have been the Valuation Month. In that case (a) the last month of the Relevant Number of Months shall be deemed to be the Valuation Month (regardless of the Market Disruption Event) and (b) the Calculation Agent shall determine the level of the Inflation Index having regard to the then prevailing market conditions, the last published level of the Inflation Index and such other factors as the Calculation Agent determines to be relevant; and

“**Valuation Time**” means (i) in respect of the AEX-index, the time with reference to which the Index Sponsor calculates the exchange delivery settlement price (the average of the prices of the AEX-index calculated at one minute intervals between 15.30 and 16.00 Amsterdam time) or (ii) in respect of any other Index, the time with reference to which the Index Sponsor calculates the closing level of the Index or in relation to (i) and (ii) at such other time as the Issuer may select in its absolute discretion and notify to Holders in accordance with General Condition 4. Terms in capitals which are not defined in these Product Conditions shall have the meanings ascribed to them in the General Conditions.

## 2. FORM

- (a) Global Form. Except in the case of Securities issued in the form described in either Product Condition 2(b) or 2(c), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the “**Global Security**”) which will be deposited with a Clearing Agent or the depository for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term “**Holder**” shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested as regards the Issuer and the Agents, solely in the bearer of the Global Security.
- (b) Dematerialised Form. Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time to time (the “**Rules**”). Accordingly, in these Conditions, the term “**Holder**” means a person in whose name a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

If CREST is specified as the Clearing Agent in the relevant Final Terms, the Securities will be cleared through CREST. Such Securities will be registered securities in dematerialised and uncertificated form, and will be (i) participating securities and (ii) uncertificated securities in accordance with the Uncertificated Securities Regulations 2001 (SI. No. 3755) as amended, supplemented or replaced from time to time (the “**Regulations**”).

Securities cleared through CREST may be transferred in accordance with the Regulations and the rules, procedures and practices of the relevant Operator (as defined below). No transfer of such Securities will be valid unless and until entered on the relevant Operator register of corporate securities (as defined in and in accordance with, the Regulations).

In the case of Securities cleared through CREST, title to the Securities is recorded on the relevant Operator register of corporate securities (as defined in the Regulations). The Registrar on behalf of the Issuer will maintain a register of such Securities recorded on the relevant Operator register of corporate securities (the “**Register**”) and shall procure that the Register is regularly updated to reflect the Operator register of corporate securities in accordance with the rules and practices from time to time of the Operator and the Regulations. Subject to this requirement, (i) each person who is for the time being shown in the Register as the holder of such Securities shall be treated by the Issuer and the Registrar as the holder of such Securities for all purposes and (ii) neither the Issuer nor the Registrar shall be liable in respect of any act or thing done or omitted to be done by it or on its behalf in reliance upon the assumption that the particulars entered in the Register which the Registrar maintains are in accordance with particulars entered in the Operator register of corporate securities relating to such Securities (and the expression “**Holder**” and related expressions shall be construed accordingly).

Any reference to the “**Operator**” (as such term is used in the Regulations) shall be to CREST and shall, whenever the context so permits, be deemed to include a reference to any such additional or alternative Operator approved by the Issuer from time to time in accordance with the Regulations and notified to the relevant Holders in accordance with General Condition 4.

Any indication herein that the Operator “shall do”, or similar expression or phrase indicating that they are obliged to or will carry out any role or obligation described in the Conditions and/or the applicable Final Terms, as the case may be, is given without any assumption by the Issuer, the relevant Registrar or the Calculation Agent of responsibility or liability for the performance of the Operator.<sup>3</sup>

#### RIGHTS AND PROCEDURES

- (a) Redemption on the Settlement Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at the Cash Amount, such redemption to occur on the Settlement Date.
- (b) Interest Amount. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction, and is payable on each Interest Payment Date.
- (c) Interest Accrual. If “Interest” is specified as being “Applicable” in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date in the event that payment of any amount is postponed due to a Market Disruption Event.

- (d) **Payment Day.** If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (a) if “Modified Following” is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (b) if “Following” is specified in the definition of Business Day Convention for the relevant Series in the applicable Final Terms, the next following Payment Day and in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.
- (e) **General.** In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount or any Interest Amount.
- (f) **Settlement Risk.** Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and none of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. None of the Issuer, any Agent nor where the Securities are cleared through CREST, the Registrar shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- (g) **Method of Payment.** Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.
- (h) **Presentation and Surrender.** Unless the Securities are cleared through CREST, the Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the

order of, the Holder in respect of the amount so paid. Where the Securities are cleared through CREST, General Condition 20 shall apply.

#### 4. ADJUSTMENTS

- (a) **Market Disruption.** The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred.

In respect of an Index which is not a Commodity Index, “**Market Disruption Event**” means (i) a general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or (ii) the occurrence or existence on any Trading Day during the one hour period that ends at the official close of trading on the Exchange or any Related Exchange of any suspension of or limitation imposed on trading or the disruption or impairment in the ability of market participants in general to effect transactions (by reason of movements in price reaching or exceeding limits permitted by the relevant exchange or otherwise):

- (A) on any Exchange(s) in securities that comprise 20 per cent or more of the level of the relevant Index if, in the determination of the Calculation Agent, such suspension or limitation is material. For the purpose of determining whether such suspension or limitation is material, if trading in a security included in the Index is suspended or materially limited at that time, then the relevant percentage contribution of that security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that security relative to (y) the overall level of the Index, in each case immediately before that suspension or limitation; or
- (B) on any Related Exchange in any options contracts or futures contracts or other derivatives contracts relating to the relevant Index.

In any event, a limitation on the hours and number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the relevant exchange, but a limitation on trading imposed during the course of the day by reason of movements in price otherwise exceeding levels permitted by the relevant exchange may, if so determined by the Calculation Agent, constitute a Market Disruption Event.

In respect of a Commodity Index, “**Market Disruption Event**” means, in relation to the Commodity Index or its components:

- (i) **Price Source Disruption.** The failure by the Exchange to announce or publish the price of the Commodity Index or any of its components (or the information necessary for determining such price(s)) or the temporary or permanent discontinuance or unavailability of such price(s) by the Exchange; or

- (ii) **Trading Suspension.** The material suspension of trading on the Exchange; or
- (iii) **Disappearance of Price.** The permanent discontinuation of trading in the Commodity Index or any of its components on the Exchange, disappearance of, or of trading in, the Commodity Index or any of its components or the disappearance or permanent discontinuance or unavailability of a reference price, notwithstanding the availability of the related price source or the status of trading in the Commodity Index or any of its components;
- (iv) **Material Change in Formula.** The occurrence, since the Issue Date, of a material change in the basis for (including but not limited to the quantity, quality or currency), or method of, calculating the price of a relevant component of the Commodity Index; or
- (v) **Material Change in Content.** The occurrence, since the Issue Date, of a material change in the content or composition of a Commodity Index or any of its components; or
- (vi) **De Minimis Trading.** The number of contracts traded on the Exchange with respect to a Commodity Index or any of its components is such that the Issuer declares that its ability to enter into hedging transactions with respect to the Commodity Index or any of its components has been impaired due to a lack of, or a material reduction in, trading in the Commodity Index or any of its components on the Exchange; or
- (vii) **Tax Disruption.** The imposition of, change in, or removal of, an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measured by reference to, a Commodity Index or any of its components (other than a tax on, or measured by reference to, overall gross or net income) by any government or taxation authority after the Issue Date, if the direct effect of such imposition, change or removal is to raise or lower the price of the Commodity Index or any of its components on the Valuation Date and/or on each of the three Trading Days following the Valuation Date, as the case may be, from what it would have been without that imposition, change or removal; or
- (viii) **Trading Limitation.** The material limitation imposed on trading in a Commodity Index or any of its components on any exchange or principal trading market; or
- (ix) **Moratorium.** A general moratorium is declared in respect of banking activities in the country in which the Exchange is located; or
- (x) **Other Events.** Any other event similar to any of the above which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities.

“**Market Disruption Event**”, in relation to an Inflation Index, means the Index Sponsor fails to calculate and announce the level of the Inflation Index.

- (b) Adjustments to Index. The Calculation Agent shall give notice as soon as practicable to the Holders in accordance with General Condition 4 of any determination made by it pursuant to paragraphs (1), (2), (3) or (4) below.
- (i) If a relevant Index is (A) not calculated and announced by the Index Sponsor but is calculated and announced by a successor to the Index Sponsor (the “**Successor Sponsor**”) acceptable to the Calculation Agent; or (B) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then (in either case) the Index will be deemed to be the index so calculated and announced by such Successor Sponsor or that successor index, as the case may be.
- (ii) If (A) on or prior to the Valuation Date, the Index Sponsor or, if applicable, the Successor Sponsor, makes a material change in the formula for or the method of calculating a relevant Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent securities or components, as the case may be, and other routine events); or (B) on or prior to the Valuation Date the Index Sponsor or, if applicable, the Successor Sponsor fails to calculate and/or publish a relevant Index; then (in either case) the Calculation Agent shall determine the Index Final Reference Price using, in lieu of a published level(s) for the Index on the Valuation Date the level for the Index as determined by the Calculation Agent in accordance with the formula for and method of calculating the Index last in effect prior to the change or failure, but using only those (a) in respect of an Index which is not a Commodity Index, securities that comprised the Index immediately prior to the change or failure (other than those securities that have since ceased to be listed on the Exchange or any other exchange on which the Shares are listed); or (b) in respect of a Commodity Index, commodity components that comprised the Index immediately prior to the change or failure (other than those components that have since ceased to be traded on the Exchange or any other exchange) or, in the case of a material modification of the Index only, the Calculation Agent shall deem such modified Index to be the Index so calculated and announced or shall (if so required by the Issuer), by giving notice in accordance with General Condition 4, terminate the Securities and pay to each Holder in respect of each Security held by such Holder an amount equal to the fair market value of the Security immediately prior to

such material modification of the Index less the cost to the Issuer of unwinding any related hedging arrangements (as determined by the Issuer).

- (iii) If, at any time, any of the events specified in (A) to (H) below occurs and the Index Sponsor or, if applicable, the Successor Sponsor has not in the opinion of the Calculation Agent made an appropriate adjustment to the level of the relevant Index (which term excludes, for these purposes of this paragraph (iii), any Commodity Index) in order to account fully for such event, notwithstanding that the rules published or applied by the Index Sponsor or, if applicable, the Successor Sponsor pertaining to the Index have been applied, the Calculation Agent shall make such adjustment to the level of the Index as it considers appropriate in order so to account for: (A) a distribution or dividend to existing holders of the Shares of (i) Shares; or (ii) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the issuer of the Shares equally or proportionately with such payments to holders of Shares or (iii) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price; (B) a free distribution or dividend of any Shares to existing holders of the Shares by way of bonus, capitalisation or similar issue; (C) an extraordinary dividend; (D) any cash dividends declared on the Shares at a time when the relevant issuer of the Shares has not previously declared or paid dividends on such Shares for the prior four quarterly periods; (E) any non-cash dividends declared on the Shares at a time when the relevant issuer of the Shares has not previously declared or paid dividends on such Shares for the prior four quarterly periods; (F) any other extraordinary cash or non-cash dividend on, or distribution with respect to, the Shares which is, by its terms or declared intent, declared and paid outside the normal operations or normal dividend procedures of the relevant issuer of the Shares, provided that, in all cases, the related ex-dividend date occurs during the period from and including the Issue Date up to but excluding the Valuation Date; (G) a distribution of cash dividends on the Shares equal to or greater than 8 per cent. per annum of the then current market value of the Shares; (H) any other similar event having dilutive or concentrative effect on the theoretical value of the Shares.
- (c) Adjustments to the Inflation Index. The Calculation Agent shall give notice as soon as practicable to the Holders in accordance with General Condition 4 of any determination made by it pursuant to paragraphs (1), (2) or (3) below.
  - (1) If the Inflation Index is (A) not calculated and announced in its usual way but is calculated and published in a different way but in a way acceptable to the

Calculation Agent; or (B) replaced by a successor inflation index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the relevant Inflation Index, then (in either case) the relevant Inflation Index will be deemed to be the Inflation Index so calculated and announced by that successor index, as the case may be.

- (2) If (A) on or prior to any calculation of the level of the Inflation Index there is a material change in the formula for or the method of calculating the Inflation Index or the Index Sponsor, in any other way, materially modifies the Inflation Index (other than a modification prescribed in that formula or method to maintain the Inflation Index in the event of changes in constituent securities and other routine events) then the Calculation Agent shall (a) determine the Inflation Index level using, in lieu of a published level for the Inflation Index, the level for the Inflation Index as determined by the Calculation Agent acting in good faith and in a commercially reasonable manner or, (b) shall deem such modified Inflation Index to be the Inflation Index so calculated and announced or (c) shall terminate the Securities by giving notice in accordance with General Condition 4.
- (d) (1) The Issuer reserves the right to issue further Securities, make adjustments or to distribute to the Holders any rights in connection with the Securities as it reasonably believes are appropriate in circumstances where an event or events occur which the Issuer (in its absolute discretion and notwithstanding any adjustments previously made to the Securities) believes should, in the context of the issue of Securities and its obligations hereunder, give rise to such adjustment or distribution, provided that such adjustment is considered by the Calculation Agent either to be appropriate generally (without considering the individual circumstances of any Holder or the tax or other consequences of such adjustment in any particular jurisdiction) or to be required to take account of provisions of the laws of the relevant jurisdiction or the practices of the relevant exchange. The Issuer, in any event, reserves the right to in its absolute discretion terminate Securities linked to any Proprietary Index by giving notice in accordance with General Condition 4, in the event that the relevant Index Sponsor terminates, cancels or suspends, as the case may be, any such Proprietary Index.
  - (2) The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by

Holders copies of any such determinations. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

5. EFFECT OF FINAL TERMS

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

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## ADDITIONAL CONDITIONS

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The following provisions shall, if applicable, amend the General Conditions and the Product Conditions (as appropriate) as described:

1. SECURITIES LISTED ON MOT

If the applicable Final Terms specify that the Securities are to be admitted to trading on the Electronic Bond Market (MOT) of Borsa Italiana S.p.A., the following amendments shall be deemed to be made to the General Conditions and/or the Product Conditions:

1. General Condition 3 is deleted in its entirety and replaced with the following:

“The Issuer shall have the right to terminate the Securities if it shall have determined in its absolute discretion that for reasons beyond its control its performance thereunder shall have become unlawful in whole or in part as a result of compliance in good faith by the Issuer with any applicable present or future law, rule, regulation, judgement, order or directive of any governmental, administrative, legislative or judicial authority or power (“**Applicable Law**”). In such circumstances the Issuer will, however, if and to the extent permitted by the Applicable Law, pay to each Holder in respect of each Security held by such Holder an amount equal to the Nominal Amount of the Security plus a pro rata amount equal to any accrued Interest Amount since the last Interest Payment Date as determined by the Calculation Agent who shall act at all times in good faith and a commercially reasonable manner. Payment will be made to the Holder in such manner as shall be notified to the Holder in accordance with General Condition 4”;

2. General Condition 5 is deleted in its entirety and replaced with the words: “Intentionally left blank”;

3. General Condition 7(a) (ii) (iii) and (iv) are deleted in their entirety and replaced with the words: “Intentionally left blank”;

4. General Condition 7(b) is deleted in its entirety and replaced with the following:

“Modifications: The Issuer may, without the consent of the Holders or any of them, modify any provision of the Conditions which is: (i) of a formal, minor or technical nature; or (ii) made to correct a manifest error, proven error or other defective provision, as determined by the Issuer in its absolute discretion, provided any such modification is not materially prejudicial to the interests of the Holders. Notice of any such modification will be given to the Holders in accordance with General Condition 4 but failure to give, or the non-receipt of such notice will not affect the validity of any such modification”; and

5. General Condition 18 is deleted in its entirety and replaced with the following:

“If any one or more of the following events (each an “**Event of Default**”) shall occur and be continuing:

- (a) default is made for more than 30 days in the payment of interest or principal in respect of the Securities; or
- (b) the Issuer fails to perform or observe any of its other obligations under the Securities and such failure has continued for the period of 60 days next following the service on the Issuer of notice requiring the same to be remedied, or
- (c) an order is made or an effective resolution is passed for the winding up of the Issuer (excluding a solvent winding up solely for the purposes of a reconstruction, amalgamation, reorganisation, merger or consolidation in connection with which The Royal Bank of Scotland Group plc or any of its subsidiaries assumes the obligations of the Issuer as principal debtor in respect of the Securities),

then any Holder may, by written notice to the Issuer at the specified office of the Principal Agent, effective upon the date of receipt thereof by the Principal Agent, declare the Security held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount (as defined below), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

“**Early Redemption Amount**” means an amount equal to the Nominal Amount of the Security plus a pro rata amount equal to any accrued Interest Amount since the last Interest Payment Date as determined by the Calculation Agent who shall act at all times in good faith and a commercially reasonable manner immediately prior to such Event of Default.”;

6. The definition of “Cash Amount” in Product Condition 1 is amended by deleting the following words in the first sentence: “less Expenses”;
7. Product Conditions - Product Condition 4(b)(2) in relation to Inflation Index Notes II (only) is amended by the insertion of the following after the last sentence:

“In the case of sub-paragraph (c) the Issuer will, however, pay to each Holder in respect of each Security held by such Holder an amount equal to the Nominal Amount of the Security plus a pro rata amount equal to any accrued Interest Amount since the last Interest Payment Date as determined by the Calculation Agent who shall act at all times in good faith and a commercially reasonable manner. This paragraph (2) shall not apply with respect to an Index which has been already published and adopted by the Calculation Agent to determine the Interest Rate relating to an Interest Period.”;

8. The words “or shall terminate the Securities by giving notice in accordance with General Condition 4” in Product Condition 4(b)(2) shall be deleted;
9. Product Condition 4(b)(3) is deleted in its entirety;
10. Product Condition 4(b)(4) in relation to Index Notes (only) is deleted in its entirety; and
11. Product Conditions - the paragraph in each Product Condition 4 beginning with the sentence “The Calculation Agent may make adjustments to the Conditions in order to account for any event if it considers it appropriate to do so” is deleted in its entirety and replaced with the following: “The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determinations. In making any such determinations or calculations, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner, with an aim of neutralising the distorting effects of such event.” ; and
12. Product Condition 4(c)(2) in relation to Share Notes (only) is deleted in its entirety and replaced with the following:

“cancel the Securities by giving notice to Holders in accordance with General Condition 4. If the Securities are to be cancelled the Issuer will pay an amount to each Holder in respect of each Security held by him which an amount equal to the Nominal Amount of the Security plus interest which has accrued on a pro rata temporis basis as determined by the Calculation Agent who shall act at all times in good faith and a commercially reasonable manner. Payment will be made in such manner as shall be notified to the Holders in accordance with General Condition 4;”.

## 2. SECURITIES CLEARING VIA EUROCLEAR FINLAND

If the applicable Final Terms specify that the Clearing Agent is Euroclear Finland OY (“**Euroclear Finland**”), the following amendments shall be deemed to be made to the General Conditions:

1. If “Additional Condition 2.1” is specified as “Applicable” in the applicable Final Terms, General Condition 4(a) shall be replaced with the following paragraph: “Validity. Announcements to Holders will be valid if delivered by the Issuer to the Clearing Agent(s) with an instruction from the Issuer to the Clearing Agent(s) to communicate such announcement to the Holders. Additionally, upon the occurrence of an Issuer Call, Holders will be notified via a publication in a national newspaper and an exchange release.”;

2. The Issuer has agreed with Euroclear Finland that, so long as the Securities are accepted for clearance through Euroclear Finland, any substitution of the Issuer in accordance General Condition 8 will comply with the requirements of Euroclear Finland and, in particular, any Substitute will be acceptable to Euroclear Finland;
3. So long as Euroclear Finland is the Clearing Agent in respect of the Securities the following provisions shall apply and, notwithstanding any provisions to the contrary in the General Conditions or the Product Conditions, may not be amended, modified or set aside other than in such manner as may be acceptable under the Rules (as defined below), in the sole opinion of Euroclear Finland:
  - (i) Title to the Securities will pass by transfer between accountholders at Euroclear Finland perfected in accordance with the legislation (including the Finnish Act on the Book-Entry System 826/1991 and the Finnish Act on the Book-Entry Accounts 827/1991), rules and regulations applicable to and/or issued by Euroclear Finland that are in force and effect from time to time (the “**Rules**”). The Holder means a person in whose name a Security is registered in a Euroclear Finland account in the book entry settlement system of Euroclear Finland or any other person recognised as a holder of Securities pursuant to the Rules and accordingly, where Securities are held through a registered nominee, the nominee shall be deemed to be the holder. General Condition 2 shall be deemed to be amended accordingly;
  - (ii) The Securities will be issued, cleared and settled in dematerialised and uncertified book-entry form in accordance with the Rules. No physical global security will be issued in respect of the Securities. General Conditions 10 and 13 shall not apply to the Securities;
  - (iii) The address of Euroclear Finland is Urho Kekkosen katu 5C, PO BOX 1110, 00101 Helsinki, Finland; and
  - (iv) The Issuer shall be entitled to obtain from Euroclear Finland extracts from the book entry registers of Euroclear Finland (Fi. “*omistajaluettelo*”) relating to the Securities.

### 3. SECURITIES CLEARING VIA VPS ASA

If the applicable Final Terms specify that the Clearing Agent is Verdipapirsentralen ASA (“**VPS ASA**”), the following amendments shall be deemed to be made to the General Conditions:

1. The Issuer has agreed with VPS ASA that, so long as the Securities are accepted for clearance through VPS ASA, any substitution of the Issuer in accordance General Condition

8 will comply with the requirements of VPS ASA and, in particular, any Substitute will be acceptable to VPS ASA.

2. So long as VPS ASA is the Clearing Agent in respect of the Securities the following provisions shall apply and, notwithstanding any provisions to the contrary in the General Conditions or the Product Conditions, may not be amended, modified or set aside other than in such manner as may be acceptable under the Rules (as defined below), in the sole opinion of VPS ASA:

- (i) Title to the Securities will pass by transfer between accountholders at VPS ASA perfected in accordance with the legislation (including the Norwegian Securities Register Act (lov om registrering av finansielle instrumenter 2002 5. juli nr. 64)), rules and regulations applicable to and/or issued by VPS ASA that are in force and effect from time to time (the “**Rules**”). The “**Holder**” means a person in whose name a Security is registered in a VPS ASA account in the book entry settlement system of VPS ASA or any other person recognised as a holder of Securities pursuant to the Rules and accordingly, where Securities are held through a registered nominee, the nominee shall be deemed to be the holder. General Condition 2 shall be deemed to be amended accordingly;
- (ii) The address of VPS ASA is P.O. Box 4, 0051, Oslo, Norway; and
- (iii) The Issuer shall be entitled to obtain from VPS ASA extracts from the book entry registers of VPS ASA relating to the Securities.

#### 4. SECURITIES CLEARING VIA EUROCLEAR SWEDEN AB

If the applicable Final Terms specify that the Clearing Agent is Euroclear Sweden AB (“**Euroclear Sweden**”), the following amendments shall be deemed to be made to the General Conditions:

- 1. If “Additional Condition 4.1” is specified as “Applicable” in the applicable Final Terms, General Condition 4(a) shall be replaced with the following paragraph: “Validity. Announcements to Holders will be valid if delivered by the Issuer to the Clearing Agent(s) with an instruction from the Issuer to the Clearing Agent(s) to communicate such announcement to the Holders. Additionally, upon the occurrence of an Issuer Call, Holders will be notified via a publication in a national newspaper and an exchange release.”;
- 2. The Issuer has agreed with Euroclear Sweden AB that, so long as the Securities are accepted for clearance through Euroclear Sweden AB, any substitution of the Issuer in accordance General Condition 8 will comply with the requirements of Euroclear Sweden AB and, in particular, any Substitute will be acceptable to Euroclear Sweden AB;

3. So long as Euroclear Sweden AB is the Clearing Agent in respect of the Securities the following provisions shall apply and, notwithstanding any provisions to the contrary in the General Conditions or the Product Conditions, may not be amended, modified or set aside other than in such manner as may be acceptable under the Rules (as defined below), in the sole opinion of Euroclear Sweden AB:
- (i) Title to the Securities will pass by transfer between accountholders at Euroclear Sweden AB perfected in accordance with the legislation (including the Swedish Financial Instruments Accounts Act (SFS 1998:1479)), rules and regulations applicable to and/or issued by Euroclear Sweden AB that are in force and effect from time to time (the “**Rules**”). The “**Holder**” means a person in whose name a Security is registered in a Euroclear Sweden AB account in the book entry settlement system of Euroclear Sweden AB or any other person recognised as a holder of Securities pursuant to the Rules and accordingly, where Securities are held through a registered nominee, the nominee shall be deemed to be the holder. General Condition 2 shall be deemed to be amended accordingly;
  - (ii) The address of Euroclear Sweden AB is Box 191, 101 23 Stockholm, Sweden; and
  - (iii) The Issuer shall be entitled to obtain from Euroclear Sweden AB extracts from the book entry registers of Euroclear Sweden AB (Sw. skuldbok) relating to the Securities.

FORM OF FINAL TERMS

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DATED [ ]

[THESE FINAL TERMS SUPERSEDE AND REPLACE THOSE DATED [ ] IN RELATION TO THE SECURITIES.]

[SERIES NUMBER]



# The Royal Bank of Scotland Group plc

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

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[NUMBER] [UNDERLYING] [TYPE OF PRODUCT] [NOTES]

[INDICATIVE] ISSUE PRICE: [ ] [ ]

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THE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR THE SECURITIES LAWS OF ANY STATE OR POLITICAL SUBDIVISION OF THE UNITED STATES, AND MAY NOT BE OFFERED, SOLD, TRANSFERRED OR DELIVERED, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO THE REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE U.S. STATE SECURITIES LAWS. THE SECURITIES ARE BEING OFFERED AND SOLD ONLY OUTSIDE THE UNITED STATES TO PERSONS OTHER THAN U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT) IN OFFSHORE TRANSACTIONS THAT MEET THE REQUIREMENTS OF REGULATIONS UNDER THE SECURITIES ACT. FURTHERMORE, TRADING IN THE SECURITIES HAS NOT BEEN APPROVED BY THE UNITED STATES COMMODITY FUTURES TRADING COMMISSION UNDER THE UNITED STATES COMMODITY EXCHANGE ACT, AS AMENDED.

*[These Final Terms, the Base Prospectus (as defined below), as supplemented from time to time and any additional information with regard to [insert securities product name] shall be published on the Issuer’s website: [www.rbsbank.it/markets](http://www.rbsbank.it/markets).] (only applicable in relation to Securities sold to Italian investors)*

## FINAL TERMS

*Terms used herein shall be deemed to be defined as such for the purposes of the General Conditions and the Product Conditions applicable to each Series of Securities described herein (the “relevant Product Conditions”) as set forth in the Base Prospectus relating to Notes dated 27 June 2012 (the “Base Prospectus”), as supplemented from time to time, which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”). This document constitutes the Final Terms of each Series of the Securities described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus as so supplemented. Full information on the Issuer and each Series of the Securities described herein is only available on the basis of the combination of these Final Terms and the Base Prospectus as so supplemented. The Base Prospectus as so supplemented is available for viewing at the principal office of the Issuer at RBS Gogarburn, PO Box 1000, Edinburgh EH12 1HQ, Scotland and copies may be obtained from the Issuer at that address.*

*These Final Terms relate to the Securities and must be read in conjunction with, and are subject to, the General Conditions and the relevant Product Conditions contained in the Base Prospectus as so supplemented. These Final Terms, the relevant Product Conditions and the General Conditions together constitute the Conditions of each Series of the Securities described herein and will be attached to any Global Security representing each such Series of the Securities. In the event of any inconsistency between these Final Terms and the General Conditions or the relevant Product Conditions, these Final Terms will govern.*

*The Netherlands Authority for the Financial Markets has provided the [names of competent authorities of host Member States] with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive. So far as the Issuer is aware, no person (other than the Issuer in its separate capacities as Issuer and Calculation Agent, see “Risk Factors - Actions taken by the Calculation Agent may affect the Underlying” and “Risk Factors – Actions taken by the Issuer may affect the value of the Securities” in the Base Prospectus) involved in the issue of the Notes has an interest material to the offer. [NB: Amend as appropriate if there are interests]*

*(Delete the preceding paragraph and instead insert the following paragraph where the Securities are sold to Italian investors)*

*[So far as the Issuer is aware, no person (other than (i) the Issuer, see “Risk Factors – Actions taken by the Issuer may affect the value of the Securities” in the Base Prospectus, (ii) the Calculation Agent, see “Risk Factors - Actions taken by the Calculation Agent may affect the Underlying” in the Base Prospectus and (iii) the third party distributors) involved in the issue of the Securities has an interest material to the offer.]*

Issuer: The Royal Bank of Scotland Group plc

Clearing Agents: [Clearstream Banking AG]  
[Centraal Instituut voor Giraal Effectenverkeer B.V. (Euroclear Netherlands)]  
[Euroclear Bank S.A./N.V. as operator of the Euroclear system]  
[Clearstream Banking, société anonyme]  
[Euroclear UK and Ireland Limited (“CREST”)]  
[Euroclear Sweden AB] [Euroclear Finland] [VPS ASA]  
[specify other, including address]  
[ ] [Not Applicable]

Subscription Period: [ ] [Not Applicable]

Pricing Date(s): [ ]

Launch Date: [ ] [Not Applicable]

Issue Date: [ ]

Listing: [ ] [Application has been made for the Securities to be admitted to the official list of Borsa Italiana S.p.A.]

Listing Date: [ ]

Admission to trading: [Application has been made for the Securities to be admitted to trading on [ ] with effect from [ ].] [No application for admission to trading has been made.]  
[Application has been made for the Securities to be admitted to trading on the Electronic Bond Market (MOT) organised and managed by Borsa Italiana S.p.A.]  
*(Where documenting a fungible issue need to indicate that original Securities are already admitted to trading.)*  
[If, following the date of these Final Terms, but before the later of (i) the closure of the offer for the Securities; and (ii) if applicable, the admission of the Securities to trading on [Euronext Amsterdam N.V./ specify]] the Prospectus (the Original Prospectus) is supplemented, updated or replaced (including replacement following the expiry of the Original Prospectus) then the Issuer shall be entitled, without the consent of any Holder, any prospective Holder or any other person, to amend these Final Terms so as to provide, and/or replace these Final Terms with ones which provide that references to the Original Prospectus herein shall be to the Original Prospectus as amended, supplemented, updated or replaced (save that the terms and conditions applicable to the Securities shall be the Terms and Conditions set forth in the Original Prospectus).]

Details of the minimum and/or maximum amount of application:	[Please refer to the section of the Base Prospectus entitled “General Information - Information on the Offering of the Securities - (d) Minimum/ Maximum Application Amount” / <i>give details</i> ]
Manner in and date on which results of the offer are to be made public:	[Please refer to the section of the Base Prospectus entitled “General Information - Information on the Offering of the Securities - (f) Details of the Manner in Which the Results of the Initial Offer are to be Made Public” / <i>give details</i> ]
Announcements to Holders:	Delivered to Clearing Agents
Principal Agent:	[The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA, United Kingdom]
Registrar:	In respect of Securities cleared through CREST (defined below), [Computershare Investor Services PLC, The Pavilions, Bridgewater Road, Bristol, BS13 8AE, England.]  In respect of Securities not cleared through CREST, [specify]/[None]”; [and]
Agent(s):	[Citibank International Plc, Netherlands Branch, Global Transaction Services, Hoge Mosten 2, 4822 NH Breda, The Netherlands]
Calculation Agent:	[[The Royal Bank of Scotland plc], 250 Bishopsgate, London EC2M 4AA, United Kingdom]
Form of the Securities:	[Global Security ] [Dematerialised form]
Ratings:	[Standard & Poor’s Credit Market Services Europe Limited: [Not Applicable/ <i>specify</i> ]] [Moody’s Investors Service Limited: [Not Applicable/ <i>specify</i> ]] [Fitch Ratings Limited: [Not Applicable/ <i>specify</i> ]]  [[The rating assigned to the Securities has been endorsed by: [ ] <i>(delete if not applicable)</i> <i>[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]</i> <i>(The above disclosure should reflect the rating allocated to the Securities of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)</i> ]

*(A statement should also be made as to whether the rating allocated to the Securities is by (i) a registered rating agency established in the EU; (ii) an unregistered rating agency established outside the EU; (iii) a rating agency established in the EU who is applying to be registered in the EU but is not yet registered; (iv) a third country rating agency that is endorsed by an EU registered rating agency; or (v) a third country rating agency that has not applied to be registered in the EU but is certified in accordance with the CRA Regulation).]<sup>1</sup>*

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<sup>1</sup> Only complete the information contained in this placeholder if “specify other” has been selected above.

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## RANGE ACCRUAL NOTES

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Series:	<i>Range Accrual Notes due [ ] Series [ ]</i>
Nominal Amount:	[ ] <i>[If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent)]</i>
Issue Price:	[ ]
Additional Market Disruption Events:	[None] <i>[specify]</i>
Business Day:	[The definition in Product Condition 1 applies] <i>[specify other]</i>
Business Day Convention:	[Modified Following][Following]
Cash Amount:	[Nominal Amount x 100%] <i>[specify other]</i>
Emerging Market Disruption Events:	[The definition in Product Condition 1 applies] <i>[specify other]</i>
Indicative Target Rate:	[ ]
Interest:	[Applicable] [Not Applicable]
Interest Payment Dates:	[[ ] [and [ ]] in each year up to and including the Maturity Date, with the first Interest Payment Date being [ ]] [Not Applicable] <i>[specify other]</i>
Interest Period:	[As stated in Product Condition 1][ <i>specify other</i> ][Not Applicable]
Interest Rate:	[In respect of the <i>[specify]</i> Interest Period[s], [ ] per cent. per annum] [Not Applicable]  [In respect of the <i>[specify]</i> Interest Period[s], the rate determined in accordance with the following formula: Target Rate x (N/M) Where: “N” means the actual number of days in the relevant Interest Period on which [the daily fixing of the Reference Spread is equal to or above [ ]] <i>[specify other]</i> ; and “M” means the actual number of days in the relevant Interest Period.] [Not Applicable] <i>[specify other]</i>
Interest Rate Day Count Fraction:	[The actual number of days in the relevant period divided by 365 save that for a portion which any such period falls in a leap year, the number of days in such

portion shall be divided by 366]

[The number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month))]

[Not Applicable] [*specify other*]

Issuer Call:

[Applicable] [Not Applicable]

Issuer Call Cash Amount:

[Cash Amount] [*specify other*] [Not Applicable]

Issuer Call Commencement Date:

[ ] [Not Applicable]

Issuer Call Date:

[*specify*] [See Issuer notice of call]

Issuer Call Notice Period:

[ ] [Not Applicable]

Maturity Date:

[ ]

Rate 1:

[ ]

Rate 2:

[ ] [Not Applicable]

Reference Banks:

[The principal London office of five leading dealers in the London interbank market which ordinarily provide quotations for Rate 1, Rate 2, if applicable, or any other rate requested by the Calculation Agent pursuant to Product Condition 4, as selected by the Issuer in its absolute discretion] [*specify other*]

Reference Spread Screen Page:

[ ] [Not Applicable]

Relevant Currency:

[The definition in Product Condition 1 applies] [*specify other*]

Settlement Currency:

[ ]

Standard Currency:

[The definition in Product Condition 1 applies] [*specify other*]

Valuation Time:

[11.00 hours Central European Time] [*specify other*]

ISIN:

[ ]

Common Code:

[ ]

Fondscore:	[ ]
Other Securities Code:	[ ] <i>[Symbol: ]</i>
Indication of yield:	[Not Applicable] [[ ]] [Calculated as [include details of method of calculation in summary form] on the Issue Date.] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]
Amendments to General Conditions or Product Conditions:	[Additional Condition 2.1: Applicable] [Additional Condition 4.1: Applicable] [Not Applicable] [Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have and (vi) other changes which are not materially prejudicial to the interests of the holders of Securities.] <i>(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)</i>
Amendments to the Offering Procedure for the Securities:	[ ] <i>(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)</i>
Sales Restriction:	The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (“ <b>Securities Act</b> ”) and the Securities may not be exercised, offered, sold, transferred or delivered within the United States or to, or for the account or benefit of, any U.S. person as defined in Regulation S under the Securities Act. Furthermore, trading in the Securities has not been approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act, as amended and no U.S. person may at any time trade or maintain a position in the Securities.

## INFORMATION ON THE UNDERLYING

Performance of Underlying/formula/ other variable, explanation of effect on value of investment and associated risks and other information concerning the Underlying:

[Need to include details of where past and future performance and volatility of the Underlying/formula/other variable can be obtained.]

[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the Underlying and the circumstances when the risks are most evident.]

*(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*

Page where information about the past and future performance of the Underlying and its volatility can be obtained:

[ ]

*(Insert the following where the Securities are sold to Italian investors)*

[Website: [ ]]

Italian Newspaper: [ ]

[Secondary Market:

(i) Under normal market conditions, the Issuer intends (but is not obliged) to provide a secondary market throughout the term of the Securities with an indicative spread of [specify].[specify other]] (*only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB*); or

(ii) The Royal Bank of Scotland plc ("**RBS**") will use reasonable endeavours, under normal market conditions and at its discretion, to provide Holders with a bid/offer price for the Securities with a maximum spread of [specify]% on a daily basis and will indicate at the time of providing the quotation how long such quotation will remain actionable, or, in any event, not longer than what the Issuer considers a commercially reasonable time. RBS will not be required to provide a bid/offer price if an event or series of events occurs outside RBS's control (whether or not affecting the market generally) results in (i) the unscheduled closing, (ii) any suspension or (iii) the disruption of any (a) physical or electronic trading system or market affecting the Securities or (b) computer, communications or other service system used by RBS to generate a quotation in respect of the Securities. RBS may determine a bid/offer price in a different manner than other market participants and prices can vary. Sometimes this variance may be substantial. The bid/offer spread will be subject to RBS's discretion. [specify other]] (*only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB*)

Series:

*Range Accrual Notes due [ ]*

**Series [ ]**

*[repeat as above for each new Series]*

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## LADDER NOTES

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Series:	<i>Ladder Notes due [ ] Series [ ]</i>
Nominal Amount:	[ ] <i>[If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent)]</i>
Issue Price:	[ ]
Additional Market Disruption Events:	[None] <i>[specify]</i>
Business Day:	[The definition in Product Condition 1 applies] <i>[specify other]</i>
Business Day Convention:	[Modified Following][Following]
Cash Amount:	[Nominal Amount x 100%] <i>[specify other]</i>
Emerging Market Disruption Events:	[The definition in Product Condition 1 applies] <i>[specify other]</i>
Interest:	[Applicable] [Not Applicable]
Interest Payment Dates:	[[ ] [and [ ]] in each year up to and including the Maturity Date, with the first Interest Payment Date being [ ]] [Not Applicable] <i>[specify other]</i>
Interest Period:	[As stated in Product Condition 1][ <i>specify other</i> ][Not Applicable]
Interest Rate:	[In respect of the <i>[specify]</i> Interest Period[s], [ ] per cent. per annum] [Not Applicable] [In respect of the <i>[specify]</i> Interest Period[s], the rate determined as follows: <i>[Specify applicable formulae, including any applicable definition of Reference Rate and Reference Rate Screen Page]</i> ] [Not Applicable] <i>[specify other]</i>
Interest Rate Day Count Fraction:	[The actual number of days in the relevant period divided by 365 save that for a portion which any such period falls in a leap year, the number of days in such portion shall be divided by 366]  [The number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the

Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month))]

[Not Applicable] [*specify other*]

Issuer Call:

[Applicable] [Not Applicable]

Issuer Call Commencement Date:

[ ] [Not Applicable]

Issuer Call Date:

[*specify*] [See Issuer notice of call]

Issuer Call Notice Period:

[ ] [Not Applicable]

Maturity Date:

[ ]

Reference Banks:

[The principal London office of five leading banks in the London interbank market which ordinarily provide quotations for the Reference Rate or any other rate requested by the Calculation Agent pursuant to Product Condition 4, as selected by the Issuer in its absolute discretion] [*specify other*]

Relevant Currency:

[The definition in Product Condition 1 applies] [*specify other*]

Screen Page:

[ ]

Settlement Currency:

[ ]

Standard Currency:

[The definition in Product Condition 1 applies] [*specify other*]

Target Fixed Rate:

[ ]

Valuation Date:

[Five Business Days prior to the relevant Interest Payment Date] [or, in the case of an Issuer Call, the date specified as such in the notice delivered in accordance with Product Condition 3 or, if such day is not a Trading Day, the first succeeding Trading Day] [*specify other*]

Valuation Time:

[11.00 hours Central European Time] [*specify other*]

ISIN:

[ ]

Common Code:

[ ]

Fondscore:

[ ]

Other Securities Code:

[ ] [*Symbol:* ]

Indication of yield:

[ ]

[Calculated as [*include details of method of calculation in summary form*] on the Issue Date.] The yield is calculated at the Issue Date on the basis of the Issue

Price. It is not an indication of future yield.

Amendments to General Conditions or Product Conditions:

[Additional Condition 2.1: Applicable] [Additional Condition 4.1: Applicable] [Not Applicable]

[Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have and (vi) other changes which are not materially prejudicial to the interests of the holders of Securities.] *(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

Amendments to the Offering Procedure for the Securities:

[ ]

*(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

Sales Restriction:

The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (“**Securities Act**”) and the Securities may not be exercised, offered, sold, transferred or delivered within the United States or to, or for the account or benefit of, any U.S. person as defined in Regulation S under the Securities Act. Furthermore, trading in the Securities has not been approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act, as amended and no U.S. person may at any time trade or maintain a position in the Securities.

## INFORMATION ON THE UNDERLYING

Performance of Underlying/formula/ other variable, explanation of effect on value of investment and associated risks and other information concerning the Underlying:

[Need to include details of where past and future performance and volatility of the Underlying/formula/other variable can be obtained.]

[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the Underlying and the circumstances when the risks are most evident.]

*(When completing this paragraph, consideration should*

*be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*

Page where information about the past and future performance of the Underlying and its volatility can be obtained:

[ ]

*(Insert the following where the Securities are sold to Italian investors)*

[Website: [ ]]

Italian Newspaper: [ ]

[Secondary Market:

(i) Under normal market conditions, the Issuer intends (but is not obliged) to provide a secondary market throughout the term of the Securities with an indicative spread of *[specify]*.*[specify other]* *(only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB)*; or

(ii) The Royal Bank of Scotland plc ("**RBS**") will use reasonable endeavours, under normal market conditions and at its discretion, to provide Holders with a bid/offer price for the Securities with a maximum spread of *[specify]*% on a daily basis and will indicate at the time of providing the quotation how long such quotation will remain actionable, or, in any event, not longer than what the Issuer considers a commercially reasonable time. RBS will not be required to provide a bid/offer price if an event or series of events occurs outside RBS's control (whether or not affecting the market generally) results in (i) the unscheduled closing, (ii) any suspension or (iii) the disruption of any (a) physical or electronic trading system or market affecting the Securities or (b) computer, communications or other service system used by RBS to generate a quotation in respect of the Securities. RBS may determine a bid/offer price in a different manner than other market participants and prices can vary. Sometimes this variance may be substantial. The bid/offer spread will be subject to RBS's discretion. *[specify other]* *(only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB)*

Series:

*Ladder Notes due [ ] Series [ ]*

*[repeat as above for each new Series]*

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**TARGET COUPON NOTES**

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Series:	<i>[Share] [Share Basket] Target Coupon Notes due [ ] Series [ ]</i>			
Nominal Amount:	<i>[ ] [If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent)]</i>			
Issue Price:	<i>[ ]</i>			
Additional Market Disruption Events:	<i>[None] [specify]</i>			
Averaging Dates:	<i>[Applicable][Not Applicable]</i>			
Basket:	<i>[Applicable][Not Applicable]</i>			
<b>Share</b>	<b>Share Company</b>	<b>Exchange</b>	<b>Bloomberg Code</b>	<b>Initial Reference Spot</b>
<i>[Type/ISIN]</i>	<i>[specify]</i>	<i>[specify]</i>	<i>[specify]</i>	<i>[specify]</i>
Bonus Coupon Amount:	<i>[specify][Not Applicable]</i>			
Business Day:	<i>[The definition in Product Condition 1 applies] [specify other]</i>			
Business Day Convention:	<i>[Modified Following][Following]</i>			
Cash Amount:	<i>[Nominal Amount] [specify other]</i>			
Coupon Amount:	<i>[specify]</i>			
Coupon Amount Payment Dates:	<i>[specify]</i>			
Cumulative Coupon Amount:	$\left[ \sum_{k=1}^n C_k \right]$ on the $n^{\text{th}}$ Coupon Amount Payment Date where “n” means 1 – <i>[specify]</i> <i>[specify other]</i>			
Cut-Off Date:	<i>[In respect of any Valuation Date, the sixth Scheduled Trading Day following such Valuation Date][Five Business Days prior to the Maturity Date][specify other]</i>			
Early Termination Date:	<i>[The date on which an Early Termination Event occurs][specify other]</i>			
Early Termination Event:	<i>[When the Cumulative Coupon Amount on any Coupon Amount Payment Date (from and including the [specify] Coupon Amount Payment Date to and including the [specify] Coupon Amount Payment Date) [and excluding the Residual Coupon Amount (if applicable)] is equal to or exceeds the Target Coupon Level][specify other]</i>			

Emerging Market Disruption Events: [The definition in Product Condition 1 applies] [*specify other*]

Exchange: [ ] [see Basket]

First Initial Fixing Date: [*specify date*] [Not Applicable]

Fixing Cut-Off Date: [The sixth Scheduled Trading Day following the First Initial Fixing Date] [*specify other*] [Not Applicable]

Initial Reference Spot: [The arithmetic average of the prices of the Share at the Valuation Time on the Initial Fixing Dates] [see Basket] [*specify other*]

Interest Entitlement: [(i) the relevant Coupon Amount on each of the relevant Coupon Amount Payment Dates [and (ii) the Residual Coupon Amount multiplied by the Nominal Amount on the Maturity Date, if the sum of all Coupon Amounts payable is less than the Target Coupon Level] [and (iii) the Bonus Coupon Amount on the Bonus Coupon Amount Payment Date (as defined below) if the Cumulative Coupon Amount [(which for the avoidance of doubt shall not include the Residual Coupon Amount)] in respect of any Coupon Amount Payment Date from and including the [*specify*] Coupon Amount Payment Date to and including the [*specify*] Coupon Amount Payment Date (such [*specify*] Coupon Amount Payment Date being the “**Bonus Coupon Amount Payment Date**”) is equal to or exceeds the Target Coupon Level. For the avoidance of doubt no Bonus Coupon Amount shall be paid if a Residual Coupon Amount is paid.]] [*specify other*]

Issuer Call: [Applicable] [Not Applicable]

Issuer Call Cash Amount: [Cash Amount] [*specify other*] [Not Applicable]

Issuer Call Commencement Date: [ ] [Not Applicable]

Issuer Call Date: [*specify*] [See Issuer notice of call]

Issuer Call Notice Period: [ ] [Not Applicable]

Maturity Date: [ ]

Reference Spot: Regarding the relevant Share in respect of any Valuation Date, [an amount equal to the price of such Share quoted on the Exchange at the Valuation Time on such Valuation Date, as determined by or on behalf of the Calculation Agent, or (if, in the determination of the Calculation Agent, no such price can be determined and such day is not a Disrupted Day) an amount determined by the Calculation Agent as its good faith estimate of the price of the Share (which may be zero) on such date having regard to the then prevailing market conditions, the last reported price of such Share on the Exchange and

	such other factors as the Calculation Agent determines relevant][the arithmetic average of the prices of the relevant Share at the Valuation Time on the Averaging Dates in respect of such Valuation Date][ <i>specify other</i> ]
Relevant Currency:	[The definition in Product Condition 1 applies] [ <i>specify other</i> ]
Relevant Number of Scheduled Trading Days:	Averaging Dates: [5, or in respect of an Emerging Market Disruption Event only, 180]
Residual Coupon Amount:	[ <i>specify</i> ][Not Applicable]
Settlement Currency:	[ ]
Settlement Date:	[(i) the Maturity Date or if later, the tenth Business Day following the last occurring Valuation Date or (ii) if an Early Termination Event has occurred, the Early Termination Date][ <i>specify other</i> ]
Share:	[ ] [see Basket]
S <sub>i</sub> Dates:	[Initial Fixing Dates][Averaging Dates][immediately preceding Valuation Date][a Valuation Date][ <i>specify other</i> ]
Share Company:	[ ] [see Basket]
Standard Currency:	[The definition in Product Condition 1 applies] [ <i>specify other</i> ]
Target Coupon Level:	[ <i>specify</i> ]
Valuation Date:	[ <i>specify</i> ], [ <i>specify</i> ] and [ <i>specify</i> ]
ISIN:	[ ]
Common Code:	[ ]
Fondscore:	[ ]
Other Securities Code:	[ ] [ <i>Symbol: </i> ]
Indication of yield:	Not Applicable
Amendments to General Conditions or Product Conditions:	[Additional Condition 2.1: Applicable] [Additional Condition 4.1: Applicable] [General Conditions 5 and 11 shall not apply]  [General Condition 6 shall be deemed to be deleted and replaced by:  “(a) Purchases. The Issuer or any Affiliate may, except under certain circumstances, purchase Securities at any price in the open market or by tender or private treaty. Any Securities so

purchased may be held or surrendered for cancellation.

In this General Condition 6(a) “**Affiliate**” means any entity controlled directly or indirectly, by the Issuer, any entity that controls, directly or indirectly, the Issuer, or any entity under common control with the Issuer. As used herein “**control**” means the ownership of a majority of the voting power of the entity or, as the case may be, such person and “**controlled by**” and “**controls**” shall be construed accordingly.

- (b) Prescription. Any Security or Coupon which is capable of presentation and is not so presented by its due date for presentation shall be void, and its value reduced to zero, if not so presented within five years of such due date. For the avoidance of doubt, any Securities which are subject to provisions relating to their exercise shall be void, and their value shall be zero, if not exercised in accordance with their provisions.”]]

[Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have and (vi) other changes which are not materially prejudicial to the interests of the holders of Securities.]

[Not Applicable] [*specify other*]

*(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

Amendments to the Offering Procedure for the Securities: [ ]

*(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

Sales Restriction:

The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (“**Securities Act**”) and the Securities may not

be exercised, offered, sold, transferred or delivered within the United States or to, or for the account or benefit of, any U.S. person as defined in Regulation S under the Securities Act. Furthermore, trading in the Securities has not been approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act, as amended and no U.S. person may at any time trade or maintain a position in the Securities.

## INFORMATION ON THE UNDERLYING

Performance of Underlying/formula/ other variable, explanation of effect on value of investment and associated risks and other information concerning the Underlying:

[Need to include details of where past and future performance and volatility of the Underlying/formula/other variable can be obtained.]

[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the Underlying and the circumstances when the risks are most evident.]

*(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*

Page where information about the past and future performance of the Underlying and its volatility can be obtained:

[ ]

*(Insert the following where the Securities are sold to Italian investors)*

[Website: [ ]]

Italian Newspaper: [ ]

[Secondary Market:

(i) Under normal market conditions, the Issuer intends (but is not obliged) to provide a secondary market throughout the term of the Securities with an indicative spread of [specify].[specify other]] *(only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB)*; or

(ii) The Royal Bank of Scotland plc ("**RBS**") will use reasonable endeavours, under normal market conditions and at its discretion, to provide Holders with a bid/offer price for the Securities with a maximum spread of [specify]% on a daily basis and will indicate at the time of providing the quotation how long such quotation will remain actionable, or, in any event, not longer than what the Issuer considers a commercially reasonable time. RBS will not be required to provide a bid/offer price if an event or series of events occurs outside RBS's control (whether or not affecting the market generally) results in (i) the unscheduled closing, (ii) any suspension or (iii) the disruption of any (a) physical or electronic

trading system or market affecting the Securities or(b) computer, communications or other service system used by RBS to generate a quotation in respect of the Securities. RBS may determine a bid/offer price in a different manner than other market participants and prices can vary. Sometimes this variance may be substantial. The bid/offer spread will be subject to RBS's discretion. *[specify other]* (only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB)]

Series:

*[Share] [Share Basket] Target Coupon Notes due [ ]*  
*Series [ ]*

*[repeat as above for each new Series]*

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## RATE NOTES

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Series:	[Rate] Notes due [ ] Series [ ]
Nominal Amount:	[ ] [If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent)]
Issue Price:	[ ]
Additional Market Disruption Events:	[None] [specify]
Business Day:	[The definition in Product Condition 1 applies] [specify other]
Business Day Convention:	[Modified Following][Following]
Cash Amount:	[Nominal Amount x 100%][specify other]
Emerging Market Disruption Events:	[The definition in Product Condition 1 applies] [specify other]
Interest:	[Applicable][Not Applicable]
Interest Payment Dates:	[[ ] [and [ ]] in each year up to and including the Maturity Date, with the first Interest Payment Date being [ ]][Not Applicable] [specify other]
Interest Period:	[As stated in Product Condition 1][specify other][Not Applicable]
Interest Rate:	[In respect of the [specify] Interest Period[s], [ ] per cent. per annum]  [In respect of the [specify] Interest Period[s], the rate determined in accordance with the following formula: [specify]] [Not Applicable] [specify other]
Interest Rate Day Count Fraction:	[The actual number of days in the relevant period divided by 365 save that for a portion which any such period falls in a leap year, the number of days in such portion shall be divided by 366]  [The number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Interest Period is the last day of the month of February,

in which case the month of February shall not be considered to be lengthened to a 30 day month))]

[Not Applicable] [*specify other*]

Issuer Call: [Applicable] [Not Applicable]

Issuer Call Cash Amount: [Cash Amount] [*specify other*] [Not Applicable]

Issuer Call Commencement Date: [ ] [Not Applicable]

Issuer Call Date: [*specify*] [See Issuer notice of call]

Issuer Call Notice Period: [ ] [Not Applicable]

Maturity Date: [ ]

Reference Banks: [The principal London office of five leading dealers in the London interbank market which ordinarily provide quotations for the relevant Underlying Rate, if applicable, or any other rate requested by the Calculation Agent pursuant to Product Condition 4, as selected by the Issuer in its absolute discretion] [*specify other*]

Relevant Currency: [The definition in Product Condition 1 applies] [*specify other*]

Settlement Currency: [ ]

Standard Currency: [The definition in Product Condition 1 applies] [*specify other*]

Underlying Rate(s): [*first rate*]  
Screen Page: [*specify*]  
Relevant Number of Days: [*specify*]

[*repeat as appropriate for other rates*]

Valuation Time: [11.00 hours Central European Time] [*specify other*]

ISIN: [ ]

Common Code: [ ]

Fondscore: [ ]

Other Securities Code: [ ] [*Symbol:* ]

Indication of yield: [ ]

[Calculated as [*include details of method of calculation in summary form*] on the Issue Date.] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

Amendments to General Conditions or Product Conditions:

[Additional Condition 2.1: Applicable] [Additional Condition 4.1: Applicable] [Not Applicable]

[Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have and (vi) other changes which are not materially prejudicial to the interests of the holders of Securities.] *(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

Amendments to the Offering Procedure for the Securities:

[ ]

*(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

Sales Restriction:

The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (“**Securities Act**”) and the Securities may not be exercised, offered, sold, transferred or delivered within the United States or to, or for the account or benefit of, any U.S. person as defined in Regulation S under the Securities Act. Furthermore, trading in the Securities has not been approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act, as amended and no U.S. person may at any time trade or maintain a position in the Securities.

## INFORMATION ON THE UNDERLYING

Performance of Underlying/formula/ other variable, explanation of effect on value of investment and associated risks and other information concerning the Underlying:

[Need to include details of where past and future performance and volatility of the Underlying/formula/other variable can be obtained.]

[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the Underlying and the circumstances when the risks are most evident.]

*(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the*

*need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*

Page where information about the past and future performance of the Underlying and its volatility can be obtained:

[ ]

*(Insert the following where the Securities are sold to Italian investors)*

[Website: [ ]]

Italian Newspaper: [ ]

[Secondary Market:

(i) Under normal market conditions, the Issuer intends (but is not obliged) to provide a secondary market throughout the term of the Securities with an indicative spread of *[specify].[specify other]* *(only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB)*; or

(ii) The Royal Bank of Scotland plc ("**RBS**") will use reasonable endeavours, under normal market conditions and at its discretion, to provide Holders with a bid/offer price for the Securities with a maximum spread of *[specify]*% on a daily basis and will indicate at the time of providing the quotation how long such quotation will remain actionable, or, in any event, not longer than what the Issuer considers a commercially reasonable time. RBS will not be required to provide a bid/offer price if an event or series of events occurs outside RBS's control (whether or not affecting the market generally) results in (i) the unscheduled closing, (ii) any suspension or (iii) the disruption of any (a) physical or electronic trading system or market affecting the Securities or (b) computer, communications or other service system used by RBS to generate a quotation in respect of the Securities. RBS may determine a bid/offer price in a different manner than other market participants and prices can vary. Sometimes this variance may be substantial. The bid/offer spread will be subject to RBS's discretion. *[specify other]* *(only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB)*

Series:

*[Rate] Notes due [ ] Series [ ]*

*[repeat as above for each new Series]*

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## ZERO COUPON NOTES

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Series:	[Zero] Notes due [ ] Series [ ]
Nominal Amount:	[ ] [If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent)]
Issue Price:	[ ]
Business Day:	[The definition in Product Condition 1 applies] [specify other]
Business Day Convention:	[Modified Following][Following]
Cash Amount:	[Nominal Amount x 100%][specify other]
Maturity Date:	[ ]
Settlement Currency:	[ ]
ISIN:	[ ]
Common Code:	[ ]
Fondscore:	[ ]
Other Securities Code:	[ ] [Symbol: ]
Indication of yield:	[ ] [Calculated as [include details of method of calculation in summary form] on the Issue Date.] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.
Amendments to General Conditions or Product Conditions:	[Additional Condition 2.1: Applicable] [Additional Condition 4.1: Applicable] [Not Applicable] [Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of

Securities may have and (vi) other changes which are not materially prejudicial to the interests of the holders of Securities.] *(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

Amendments to the Offering Procedure for the Securities: [ ]

*(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

Sales Restriction:

The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (“**Securities Act**”) and the Securities may not be exercised, offered, sold, transferred or delivered within the United States or to, or for the account or benefit of, any U.S. person as defined in Regulation S under the Securities Act. Furthermore, trading in the Securities has not been approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act, as amended and no U.S. person may at any time trade or maintain a position in the Securities.

## INFORMATION ON THE UNDERLYING

Performance of Underlying/formula/ other variable, explanation of effect on value of investment and associated risks and other information concerning the Underlying:

[Need to include details of where past and future performance and volatility of the Underlying/formula/other variable can be obtained.]

[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the Underlying and the circumstances when the risks are most evident.]

*(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*

Page where information about the past and future performance of the Underlying and its volatility can be obtained: [ ]

*(Insert the following where the Securities are sold to Italian investors)*

[Website: [ ]]

Italian Newspaper: [ ]

[Secondary Market:

(i) Under normal market conditions, the Issuer intends (but is not obliged) to provide a secondary

market throughout the term of the Securities with an indicative spread of *[specify].[specify other]* (only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB); or

(ii) The Royal Bank of Scotland plc ("**RBS**") will use reasonable endeavours, under normal market conditions and at its discretion, to provide Holders with a bid/offer price for the Securities with a maximum spread of *[specify]*% on a daily basis and will indicate at the time of providing the quotation how long such quotation will remain actionable, or, in any event, not longer than what the Issuer considers a commercially reasonable time. RBS will not be required to provide a bid/offer price if an event or series of events occurs outside RBS's control (whether or not affecting the market generally) results in (i) the unscheduled closing, (ii) any suspension or (iii) the disruption of any (a) physical or electronic trading system or market affecting the Securities or (b) computer, communications or other service system used by RBS to generate a quotation in respect of the Securities. RBS may determine a bid/offer price in a different manner than other market participants and prices can vary. Sometimes this variance may be substantial. The bid/offer spread will be subject to RBS's discretion. *[specify other]* (only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB)]

Series:

*[Rate] Notes due [ ] Series [ ]*

*[repeat as above for each new Series]*

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## CURRENCY EXCHANGE NOTES

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Series:	<i>[Currency] Exchange Notes due [ ] Series [ ]</i>
Nominal Amount:	[ ] <i>[If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent)]</i>
Issue Price:	[ ]
Additional Market Disruption Events:	[None] <i>[specify]</i>
Business Day:	[The definition in Product Condition 1 applies] <i>[specify other]</i>
Business Day Convention:	[Modified Following][Following]
Cash Amount:	[Nominal Amount x 100%] <i>[specify other]</i>
Emerging Market Disruption Events:	[The definition in Product Condition 1 applies] <i>[specify other]</i>
Exchange Rate(s):	<i>[first rate]</i> Screen Page: <i>[specify]</i> Relevant Number of Trading Days: [8, or in respect of an Emerging Market Disruption Event only, 180] <i>[repeat as appropriate for other rates]</i>
Interest:	[Applicable][Not Applicable]
Interest Payment Dates:	[[ ] [and [ ]] in each year up to and including the Maturity Date, with the first Interest Payment Date being [ ]][Not Applicable] <i>[specify other]</i>
Interest Period:	[As stated in Product Condition 1] <i>[specify other]</i> [Not Applicable]
Interest Rate:	[In respect of the <i>[specify]</i> Interest Period[s], [ ] per cent. per annum]  [In respect of the <i>[specify]</i> Interest Period[s], the rate determined in accordance with the following formula: <i>[specify]</i> <i>[specify other]</i> [Not Applicable]
Interest Rate Day Count Fraction:	[The actual number of days in the relevant period divided by 365 save that for a portion which any such period falls in a leap year, the number of days in such portion shall be divided by 366]  [The number of days in the relevant period divided by

360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month))]

[*specify other*] [Not Applicable]

Issuer Call: [Applicable] [Not Applicable]

Issuer Call Cash Amount: [Cash Amount] [*specify other*] [Not Applicable]

Issuer Call Commencement Date: [ ] [Not Applicable]

Issuer Call Date: [*specify*] [See Issuer notice of call]

Issuer Call Notice Period: [ ] [Not Applicable]

Maturity Date: [ ]

Relevant Currency: [The definition in Product Condition 1 applies] [*specify other*]

Settlement Currency: [ ]

Standard Currency: [The definition in Product Condition 1 applies] [*specify other*]

Underlying Currenc[y/ies]: [ ]

Valuation Date: [[ ] Business Days before the Maturity Date] [*specify other*]

Valuation Time: [11.00 hours Central European Time] [*specify other*]

ISIN: [ ]

Common Code: [ ]

Fondscore: [ ]

Other Securities Code: [ ] [*Symbol:* ]

Indication of yield: [ ]

[Calculated as [*include details of method of calculation in summary form*] on the Issue Date.] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

Amendments to General Conditions or Product Conditions:

[Additional Condition 2.1: Applicable] [Additional Condition 4.1: Applicable] [Not Applicable]

[Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have and (vi) other changes which are not materially prejudicial to the interests of the holders of Securities.] *(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

Amendments to the Offering Procedure for the Securities:

[ ]

*(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

Sales Restriction:

The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (“**Securities Act**”) and the Securities may not be exercised, offered, sold, transferred or delivered within the United States or to, or for the account or benefit of, any U.S. person as defined in Regulation S under the Securities Act. Furthermore, trading in the Securities has not been approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act, as amended and no U.S. person may at any time trade or maintain a position in the Securities.

## INFORMATION ON THE UNDERLYING

Performance of Underlying/formula/ other variable, explanation of effect on value of investment and associated risks and other information concerning the Underlying:

[Need to include details of where past and future performance and volatility of the Underlying/formula/other variable can be obtained.]

[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the Underlying and the circumstances when the risks are most evident.]

*(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the*

*need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*

Page where information about the past and future performance of the Underlying and its volatility can be obtained:

[ ]

*(Insert the following where the Securities are sold to Italian investors)*

[Website: [ ]]

Italian Newspaper: [ ]

[Secondary Market:

(i) Under normal market conditions, the Issuer intends (but is not obliged) to provide a secondary market throughout the term of the Securities with an indicative spread of [specify].[specify other]] *(only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB)*; or

(ii) The Royal Bank of Scotland plc ("**RBS**") will use reasonable endeavours, under normal market conditions and at its discretion, to provide Holders with a bid/offer price for the Securities with a maximum spread of [specify]% on a daily basis and will indicate at the time of providing the quotation how long such quotation will remain actionable, or, in any event, not longer than what the Issuer considers a commercially reasonable time. RBS will not be required to provide a bid/offer price if an event or series of events occurs outside RBS's control (whether or not affecting the market generally) results in (i) the unscheduled closing, (ii) any suspension or (iii) the disruption of any (a) physical or electronic trading system or market affecting the Securities or (b) computer, communications or other service system used by RBS to generate a quotation in respect of the Securities. RBS may determine a bid/offer price in a different manner than other market participants and prices can vary. Sometimes this variance may be substantial. The bid/offer spread will be subject to RBS's discretion. [specify other]] *(only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB)*

Series:

*[Currency] Exchange Notes due [ ] Series [ ]*

*[repeat as above for each new Series]*

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## YIELD DISCOVERY NOTES

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Series: *Yield Discovery Notes due [ ] Series [ ]*

Nominal Amount: [ ] *[If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent)]*

Issue Price: [ ]

Additional Market Disruption Events: [None] *[specify]*

Basket:

<b>Share (ISIN)</b>	<b>Share Company</b>	<b>Exchange</b>
<i>[specify]</i>	<i>[specify]</i>	<i>[specify]</i>

Business Day: [The definition in Product Condition 1 applies] *[specify other]*

Business Day Convention: [Modified Following][Following]

Cash Amount: [Nominal Amount x 100%] *[specify other]*

Emerging Market Disruption Events: [The definition in Product Condition 1 applies] *[specify other]*

Initial Reference Price: [The definition in Product Condition 1 applies] *[specify other]*

Interest: [Applicable] [Not Applicable]

Interest Payment Dates: [[ ] [and [ ]] in each year up to and including the Maturity Date, with the first Interest Payment Date being [ ] [Not Applicable] *[specify other]*

Interest Period: [As stated in Product Condition 1][*specify other*][Not Applicable]

Interest Rate: [In respect of the *[specify]* Interest Periods, *[specify any fixed rate]* per cent. per annum]

[In respect of the *[specify]* Interest Periods, *[specify formula for determining any variable rate]*]

*[specify other]* [Not Applicable]

Interest Rate Day Count Fraction: [The actual number of days in the relevant period divided by 365 save that for a portion which any such period falls in a leap year, the number of days in such portion shall be divided by 366]

[The number of days in the relevant period divided by

360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month)))

[*specify other*] [Not Applicable]

Issuer Call:

[Applicable] [Not Applicable]

Issuer Call Cash Amount:

[Cash Amount] [*specify other*] [Not Applicable]

Issuer Call Commencement Date:

[ ] [Not Applicable]

Issuer Call Date:

[*specify*] [See Issuer notice of call]

Issuer Call Notice Period:

[ ] [Not Applicable]

Maturity Date:

[ ]

Relevant Currency:

[The definition in Product Condition 1 applies] [*specify other*]

Relevant Number of Trading Days:

[8, or in respect of an Emerging Market Disruption Event only, 180]

Settlement Currency:

[ ]

Settlement Date:

[Maturity Date [or, if later, the [ ] Business Day following the final Valuation Date]] [*specify other*]

Standard Currency:

[The definition in Product Condition 1 applies] [*specify other*]

Valuation Date:

[[ ] [and [ ]] in each year up to and including the final Valuation Date on [ ]] [*specify other*]

ISIN:

[ ]

Common Code:

[ ]

Fondscore:

[ ]

Other Securities Code:

[ ] [*Symbol:* ]

Indication of yield:

[ ]

[Calculated as [*include details of method of calculation in summary form*] on the Issue Date.] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

Amendments to General Conditions or Product Conditions:

[Additional Condition 2.1: Applicable] [Additional Condition 4.1: Applicable] [For the purposes of this Series, Condition 5(b)(iii) and (iv) shall not apply to the Securities]

[Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have and (vi) other changes which are not materially prejudicial to the interests of the holders of Securities.]

[specify other] [Not Applicable]

*(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

Amendments to the Offering Procedure for the Securities:

[ ]

*(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

Sales Restriction:

The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (“**Securities Act**”) and the Securities may not be exercised, offered, sold, transferred or delivered within the United States or to, or for the account or benefit of, any U.S. person as defined in Regulation S under the Securities Act. Furthermore, trading in the Securities has not been approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act, as amended and no U.S. person may at any time trade or maintain a position in the Securities.

## INFORMATION ON THE UNDERLYING

Performance of Underlying/formula/ other variable, explanation of effect on value of investment and associated risks and other information concerning the Underlying:

[Need to include details of where past and future performance and volatility of the Underlying/formula/other variable can be obtained.]

[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the

Underlying and the circumstances when the risks are most evident.]

*(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*

Page where information about the past and future performance of the Underlying and its volatility can be obtained:

[ ]

*(Insert the following where the Securities are sold to Italian investors)*

[Website: [ ]]

Italian Newspaper: [ ]

[Secondary Market:

(i) Under normal market conditions, the Issuer intends (but is not obliged) to provide a secondary market throughout the term of the Securities with an indicative spread of [specify].[specify other]] *(only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB)*; or

(ii) The Royal Bank of Scotland plc ("**RBS**") will use reasonable endeavours, under normal market conditions and at its discretion, to provide Holders with a bid/offer price for the Securities with a maximum spread of [specify]% on a daily basis and will indicate at the time of providing the quotation how long such quotation will remain actionable, or, in any event, not longer than what the Issuer considers a commercially reasonable time. RBS will not be required to provide a bid/offer price if an event or series of events occurs outside RBS's control (whether or not affecting the market generally) results in (i) the unscheduled closing, (ii) any suspension or (iii) the disruption of any (a) physical or electronic trading system or market affecting the Securities or (b) computer, communications or other service system used by RBS to generate a quotation in respect of the Securities. RBS may determine a bid/offer price in a different manner than other market participants and prices can vary. Sometimes this variance may be substantial. The bid/offer spread will be subject to RBS's discretion. [specify other]] *(only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB)*

Series:

*Yield Discovery Notes due [ ]*

*Series [ ]*

*[repeat as above for each new Series]*

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**CERTIFICATE NOTES**

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Series: *[Certificate] Notes due [ ] Series [ ]*

Nominal Amount: *[ ] [If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent)]*

Issue Price: *[ ]*

Additional Market Disruption Events: *[None] [specify]*

Basket:

<b>[“Certificate”</b>	<b>“Exchange”</b>	<b>“Weight”</b>
<i>[specify each Certificate and [ISIN] Code]</i>	<i>[Specify exchange]]</i>	<i>[specify]</i>
	<i>[Not Applicable]</i>	

Business Day: *[The definition in Product Condition 1 applies] [specify other]*

Business Day Convention: *[Modified Following][Following]*

Cash Amount: *[Nominal Amount x (100% + Participation x Max [0, {Final Reference Price / Initial Reference Price} -1])]*  
*[specify other]*

Certificate: *[ ] [See Basket]*

Emerging Market Disruption Events: *[The definition in Product Condition 1 applies] [specify other]*

Exchange: *[ ] [See Basket]*

Final Reference Price: *[The definition in Product Condition 1 applies] [specify other]*

Initial Reference Price: *[The definition in Product Condition 1 applies] [specify other]*

Interest: *[Applicable] [Not Applicable]*

Interest Payment Dates: *[[ ] [and [ ]] in each year up to and including the Maturity Date, with the first Interest Payment Date being [ ] [Not Applicable] [specify other]*

Interest Period: [As stated in Product Condition 1][*specify other*][Not Applicable]

Interest Rate: [[ ] per cent. per annum] [Not Applicable] [*specify other*]

Interest Rate Day Count Fraction: [The actual number of days in the relevant period divided by 365 save that for a portion which any such period falls in a leap year, the number of days in such portion shall be divided by 366]

[The number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month))]

[*specify other*] [Not Applicable]

Issuer Call: [Applicable] [Not Applicable]

Issuer Call Cash Amount: [Cash Amount] [*specify other*] [Not Applicable]

Issuer Call Commencement Date: [ ] [Not Applicable]

Issuer Call Date: [*specify*] [See Issuer notice of call]

Issuer Call Notice Period: [ ] [Not Applicable]

Maturity Date: [ ]

Participation: [ ]

Relevant Currency: [The definition in Product Condition 1 applies] [*specify other*]

Relevant Number of Business Days: [ ]

Relevant Number of Trading Days: [8, or in respect of an Emerging Market Disruption Event only, 180]

Settlement Currency: [ ]

Settlement Date: [The definition in Product Condition 1 applies][*specify other*]

Standard Currency: [The definition in Product Condition 1 applies] [*specify other*]

Valuation Date(s): [ ]  
ISIN: [ ]  
Common Code: [ ]  
Fondscore: [ ]  
Other Securities Code: [ ] [Symbol: ]  
Indication of yield: [ ]

[Calculated as [*include details of method of calculation in summary form*] on the Issue Date.] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

Amendments to General Conditions or Product Conditions: [Additional Condition 2.1: Applicable] [Additional Condition 4.1: Applicable] [Not Applicable]

[Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have and (vi) other changes which are not materially prejudicial to the interests of the holders of Securities.] (*When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive*)

Amendments to the Offering Procedure for the Securities: [ ]

(*When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive*)

Sales Restriction:

The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (“**Securities Act**”) and the Securities may not be exercised, offered, sold, transferred or delivered within the United States or to, or for the account or benefit of, any U.S. person as defined in Regulation S under the Securities Act. Furthermore, trading in the Securities has not been approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act, as amended

and no U.S. person may at any time trade or maintain a position in the Securities.

## INFORMATION ON THE UNDERLYING

Performance of Underlying/formula/ other variable, explanation of effect on value of investment and associated risks and other information concerning the Underlying:

[Need to include details of where past and future performance and volatility of the Underlying/formula/other variable can be obtained.]

[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the Underlying and the circumstances when the risks are most evident.]

*(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*

Page where information about the past and future performance of the Underlying and its volatility can be obtained:

[ ]

*(Insert the following where the Securities are sold to Italian investors)*

[Website: [ ]]

Italian Newspaper: [ ]

[Secondary Market:

(i) Under normal market conditions, the Issuer intends (but is not obliged) to provide a secondary market throughout the term of the Securities with an indicative spread of [specify].[specify other]] *(only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB)*; or

(ii) The Royal Bank of Scotland plc ("**RBS**") will use reasonable endeavours, under normal market conditions and at its discretion, to provide Holders with a bid/offer price for the Securities with a maximum spread of [specify]% on a daily basis and will indicate at the time of providing the quotation how long such quotation will remain actionable, or, in any event, not longer than what the Issuer considers a commercially reasonable time. RBS will not be required to provide a bid/offer price if an event or series of events occurs outside RBS's control (whether or not affecting the market generally) results in (i) the unscheduled closing, (ii) any suspension or (iii) the disruption of any (a) physical or electronic trading system or market affecting the Securities or (b) computer, communications or other service system used by RBS to generate a quotation in respect of the Securities. RBS may determine a bid/offer price in a different manner than other market participants and prices can vary. Sometimes this variance may be

substantial. The bid/offer spread will be subject to RBS's discretion. *[specify other]* (only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB)

Series:

*[Certificate] Notes due [ ] Series [ ]*

*[repeat as above for each new Series]*

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**INDEX NOTES**

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Series:	<i>[Index] Notes due [ ] Series [ ]</i>
Nominal Amount:	<i>[ ] [If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent)]</i>
Issue Price:	<i>[ ]</i>
Additional Market Disruption Events:	<i>[None] [specify]</i>
Basket:	
[" <b>Commodity</b> ]Index"	" <b>Weight</b> "
<i>[specify each Index and Bloomberg Code]</i>	<i>[Specify percentage weight]][Not Applicable]</i>
Business Day:	<i>[The definition in Product Condition 1 applies] [specify other]</i>
Business Day Convention:	<i>[Modified Following][Following]</i>
Cash Amount:	<p><i>[An amount equal to the larger of:</i></p> <p>i) <i>Nominal Amount * Relevant Percentage 1; or</i></p> <p>ii) <i>Nominal Amount * Relevant Percentage 1 +</i>  <i>Nominal Amount *</i></p> $\min\left[100\% * \frac{\text{Final Reference Price} - \text{Initial Level}}{\text{Initial Level}}; \text{Relevant Percentage 2}\right]$ <p><i>where:</i></p> <p><i>Relevant Percentage 1 means [specify]; and</i></p> <p><i>Relevant Percentage 2 means [specify]</i></p> <p><i>[specify other]</i></p>
Emerging Market Disruption Events:	<i>[The definition in Product Condition 1 applies] [specify other]</i>
Final Reference Price:	<i>[The definition in Product Condition 1 applies] [specify other]</i>
Commodity Index:	<i>[ ] [Not Applicable]</i>
Initial Reference Price:	<i>[ ]</i>
Interest:	<i>[Applicable] [Not Applicable]</i>

Interest Payment Dates: [[ ] [and [ ]]] in each year up to and including the Maturity Date, with the first Interest Payment Date being [ ] [Not Applicable] [*specify other*]

Interest Period: [As stated in Product Condition 1][*specify other*][Not Applicable]

Interest Rate: [[ ]] per cent. per annum] [Not Applicable] [*specify other*]

Interest Rate Day Count Fraction: [The actual number of days in the relevant period divided by 365 save that for a portion which any such period falls in a leap year, the number of days in such portion shall be divided by 366]

[The number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month))]

[*specify other*] [Not Applicable]

Issuer Call: [Applicable] [Not Applicable]

Issuer Call Cash Amount: [Cash Amount] [*specify other*] [Not Applicable]

Issuer Call Commencement Date: [ ] [Not Applicable]

Issuer Call Date: [*specify*] [See Issuer notice of call]

Issuer Call Notice Period: [ ] [Not Applicable]

Maturity Date: [ ]

Relevant Currency: [The definition in Product Condition 1 applies] [*specify other*]

Relevant Number of Trading Days: [8, or in respect of an Emerging Market Disruption Event only, 180]

Settlement Currency: [ ]

Settlement Date: [The definition in Product Condition 1 applies][*specify other*]

Standard Currency: [The definition in Product Condition 1 applies] [*specify other*]

Valuation Date(s):

Valuation Time: [11.00 hours Central European Time] [*specify other*]

ISIN:

Common Code:

Fondscore:

Other Securities Code:  [*Symbol:* ]

Indication of yield:

[Calculated as [*include details of method of calculation in summary form*] on the Issue Date.] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

Amendments to General Conditions or Product Conditions:  [Additional Condition 2.1: Applicable]  [Additional Condition 4.1: Applicable]  [Not Applicable]

[Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have and (vi) other changes which are not materially prejudicial to the interests of the holders of Securities.] (*When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive*)

Amendments to the Offering Procedure for the Securities:

(*When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive*)

Sales Restriction: The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (“**Securities Act**”) and the Securities may not be exercised, offered, sold, transferred or delivered within the United States or to, or for the account or benefit of, any U.S. person as defined in Regulation S under the Securities Act. Furthermore, trading in the Securities has not been approved by the United States Commodity Futures Trading Commission under the United States

Commodity Exchange Act, as amended and no U.S. person may at any time trade or maintain a position in the Securities.

## INFORMATION ON THE UNDERLYING

Performance of Underlying/formula/ other variable, explanation of effect on value of investment and associated risks and other information concerning the Underlying:

[Need to include details of where past and future performance and volatility of the Underlying/formula/other variable can be obtained.]

[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the Underlying and the circumstances when the risks are most evident.]

*(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*

Page where information about the past and future performance of the Underlying and its volatility can be obtained:

[ ]

*(Insert the following where the Securities are sold to Italian investors)*

[Website: [ ]]

Italian Newspaper: [ ]

[Secondary Market:

(i) Under normal market conditions, the Issuer intends (but is not obliged) to provide a secondary market throughout the term of the Securities with an indicative spread of [specify].[specify other] *(only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB)*; or

(ii) The Royal Bank of Scotland plc ("**RBS**") will use reasonable endeavours, under normal market conditions and at its discretion, to provide Holders with a bid/offer price for the Securities with a maximum spread of [specify]% on a daily basis and will indicate at the time of providing the quotation how long such quotation will remain actionable, or, in any event, not longer than what the Issuer considers a commercially reasonable time. RBS will not be required to provide a bid/offer price if an event or series of events occurs outside RBS's control (whether or not affecting the market generally) results in (i) the unscheduled closing, (ii) any suspension or (iii) the disruption of any (a) physical or electronic trading system or market affecting the Securities or (b) computer, communications or other service system used by RBS to generate a quotation in respect of the Securities. RBS may determine a bid/offer price in a different manner than other market participants and prices can vary. Sometimes

this variance may be substantial. The bid/offer spread will be subject to RBS's discretion. [*specify other*] (*only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB*)

Series:

[*Index*] Notes due [ ] Series [ ]

[*repeat as above for each new Series*]

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## INFLATION INDEX NOTES

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Series:	<i>[Inflation Index] Notes due [ ] Series [ ]</i>
Nominal Amount:	[ ] <i>[If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent)]</i>
Issue Price:	[ ]
Additional Market Disruption Events:	[None] <i>[specify]</i>
Business Day:	[The definition in Product Condition 1 applies] <i>[specify other]</i>
Business Day Convention:	[Modified Following][Following]
Cash Amount:	[Nominal Amount x 100%] <i>[specify other]</i>
Fixed Spread:	[[ ]% indicative to be determined on Issue Date] <i>[specify other]</i>
Inflation Index:	[[ <i>[Inflation Index]</i> published on a [monthly] <i>[other]</i> basis by the [ ], as displayed on Bloomberg ‘[ ] <Index>’ (or such other page as may replace that page, or such other information service as may be selected by the Calculation Agent, acting in its sole and absolute discretion, for the purpose of displaying the Inflation Index)] <i>[specify other]</i> ]
Interest:	[Applicable] [Not Applicable]
Interest Payment Dates:	[[ ] in each year up to and including the Maturity Date, with the first Interest Payment Date being [ ]] [Not Applicable] <i>[specify other]</i>
Interest Period:	[As stated in Product Condition 1] <i>[specify other]</i> [Not Applicable]
Interest Rate:	[Nominal Amount x Fixed Spread + the greater of: i. zero; or ii. $CPI_{N-3} / CPI_{N-15}$ Where: “ $CPI_{N-3}$ ” means, in respect of each Interest Payment Date <sub>(N)</sub> , the Inflation Index Level in respect of the month falling three months prior to such Interest Payment Date “ $CPI_{N-15}$ ” means, in respect of each Interest Payment Date <sub>(N)</sub> , the Inflation Index Level in respect of the month falling fifteen months prior to such Interest Payment Date] <i>[specify other]</i> [Not Applicable]
Interest Rate Day Count Fraction:	[The actual number of days in the relevant period divided by 365 save that for a portion which any such period falls in a leap year,

the number of days in such portion shall be divided by 366]

[The number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month)))]

[*specify other*] [Not Applicable]

Issuer Call: [Applicable] [Not Applicable]

Issuer Call Cash Amount: [Cash Amount] [*specify other*] [Not Applicable]

Issuer Call Commencement Date: [ ] [Not Applicable]

Issuer Call Date: [*specify*] [See Issuer notice of call]

Issuer Call Notice Period: [ ] [Not Applicable]

Maturity Date: [ ]

Settlement Currency: [ ]

Settlement Date: [The definition in Product Condition 1 applies][*specify other*]

ISIN: [ ]

Common Code: [ ]

Fondscore: [ ]

Other Securities Code: [ ] [*Symbol:* ]

Indication of yield: [ ]

[Calculated as [*include details of method of calculation in summary form*] on the Issue Date.] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

Amendments to General Conditions or Product Conditions: [Additional Condition 2.1: Applicable] [Additional Condition 4.1: Applicable] [Not Applicable]

[Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v)

disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have and (vi) other changes which are not materially prejudicial to the interests of the holders of Securities.] *(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

Amendments to the Offering Procedure for the Securities: [ ]

*(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

Sales Restriction:

The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (“**Securities Act**”) and the Securities may not be exercised, offered, sold, transferred or delivered within the United States or to, or for the account or benefit of, any U.S. person as defined in Regulation S under the Securities Act. Furthermore, trading in the Securities has not been approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act, as amended and no U.S. person may at any time trade or maintain a position in the Securities.

## INFORMATION ON THE UNDERLYING

Performance of Underlying/formula/ other variable, explanation of effect on value of investment and associated risks and other information concerning the Underlying:

[Need to include details of where past and future performance and volatility of the Underlying/formula/other variable can be obtained.]

[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the Underlying and the circumstances when the risks are most evident.]

*(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*

Page where information about the past and future performance of the Underlying and its volatility can be obtained:

[ ]

*(Insert the following where the Securities are sold to Italian investors)*

[Website: [ ]]

Italian Newspaper: [ ]

[Secondary Market:

(i) Under normal market conditions, the Issuer intends (but is not obliged) to provide a secondary market throughout the term of the Securities with an indicative spread of [specify].[specify other]] *(only applicable for*

*Securities clearing via Euroclear Finland and Euroclear Sweden AB); or*

(ii) The Royal Bank of Scotland plc ("**RBS**") will use reasonable endeavours, under normal market conditions and at its discretion, to provide Holders with a bid/offer price for the Securities with a maximum spread of [*specify*]% on a daily basis and will indicate at the time of providing the quotation how long such quotation will remain actionable, or, in any event, not longer than what the Issuer considers a commercially reasonable time. RBS will not be required to provide a bid/offer price if an event or series of events occurs outside RBS's control (whether or not affecting the market generally) results in (i) the unscheduled closing, (ii) any suspension or (iii) the disruption of any (a) physical or electronic trading system or market affecting the Securities or (b) computer, communications or other service system used by RBS to generate a quotation in respect of the Securities. RBS may determine a bid/offer price in a different manner than other market participants and prices can vary. Sometimes this variance may be substantial. The bid/offer spread will be subject to RBS's discretion. [*specify other*] (*only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB*)]

Series:

*[Inflation Index] Notes due [ ] Series [ ]*

*[repeat as above for each new Series]*

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## INFLATION INDEX NOTES II

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Series: *[Inflation Index] Notes due [ ] Series [ ]*

Nominal Amount: [ ] *[If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent)]*

Issue Price: [ ]

Additional Market Disruption Events: [None][specify]

Business Day: [The definition in Product Condition 1 applies] *[specify other]*

Business Day Convention: [Modified Following][Following]

Cash Amount: [Nominal Amount x 100%] *[specify other]*

Final Reference Price: [The definition in Product Condition 1 applies] *[specify other]*

Index: *[[Inflation Index] published on a [monthly] [other] basis by the [ ], as displayed on Bloomberg ‘[ ] <Index>’ (or such other page as may replace that page, or such other information service as may be selected by the Calculation Agent, acting in its sole and absolute discretion, for the purpose of displaying the Index)] [specify other]]*

Interest: [Applicable][Not Applicable]

Interest Payment Dates: [[ ] in each year up to and including the Maturity Date, with the first Interest Payment Date being [ ]] [Not Applicable] *[specify other]*

Interest Period: [As stated in Product Condition 1][specify other][Not Applicable]

Interest Rate: [For the [first] Interest Period[s], [ ]% and for the remaining Interest Periods an amount calculated in accordance with the following formula:

$$MAX \left\{ 0\%, * \% \left[ \frac{\text{Index}_{-3M} - \text{Index}_{-15M}}{\text{Index}_{-15M}} \right] \right\}$$

Where:

Index<sub>-3M</sub> is the Final Reference Price for the Valuation Month in the second year immediately preceding the relevant Interest Payment Date

Index<sub>-15M</sub> is the Final Reference Price for the Valuation Month in the third year immediately preceding the relevant Interest Payment Date

For example, in respect of the Interest Rate calculation applicable for the Interest Payment Date on [ ], Index<sub>-3M</sub> will

be the Final Reference Price for [ 2006] and Index<sub>-15M</sub> will be the Final Reference Price for [ 2005].] [*specify other*]

Interest Rate Day Count Fraction: [The actual number of days in the relevant period divided by 365 save that for a portion which any such period falls in a leap year, the number of days in such portion shall be divided by 366]

[The number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month))]

[*Specify Other*][Not Applicable]

Maturity Date: [ ]

Relevant Number of Months: [2] [*specify other*]

Settlement Currency: [ ]

Settlement Date: [The definition in Product Condition 1 applies][*specify other*]

Valuation Month(s): [ ]

ISIN: [ ]

Common Code: [ ]

Fondscore: [ ]

Other Securities Code: [ ] [*Symbol:* ]

Indication of yield: [ ]

[Calculated as [*include details of method of calculation in summary form*] on the Issue Date.] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

Amendments to General Conditions or Product Conditions: [Additional Condition 2.1: Applicable] [Additional Condition 4.1: Applicable] [Not Applicable]

[Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements

agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have and (vi) other changes which are not materially prejudicial to the interests of the holders of Securities.] *(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

Amendments to the Offering Procedure for the Securities: [ ]

*(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

Sales Restriction:

The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (“**Securities Act**”) and the Securities may not be exercised, offered, sold, transferred or delivered within the United States or to, or for the account or benefit of, any U.S. person as defined in Regulation S under the Securities Act. Furthermore, trading in the Securities has not been approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act, as amended and no U.S. person may at any time trade or maintain a position in the Securities.

## INFORMATION ON THE UNDERLYING

Performance of Underlying/formula/ other variable, explanation of effect on value of investment and associated risks and other information concerning the Underlying:

[Need to include details of where past and future performance and volatility of the Underlying/formula/other variable can be obtained.]

[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the Underlying and the circumstances when the risks are most evident.]

*(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*

Page where information about the past and future performance of the Underlying and its volatility can be obtained:

[ ]

*(Insert the following where the Securities are sold to Italian investors)*

[Website: [ ]]

Italian Newspaper: [ ]

[Secondary Market:

(i) Under normal market conditions, the Issuer intends (but is not obliged) to provide a secondary market throughout the term of the Securities with an indicative spread of [specify].[specify other]] (only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB); or

(ii) The Royal Bank of Scotland plc ("**RBS**") will use reasonable endeavours, under normal market conditions and at its discretion, to provide Holders with a bid/offer price for the Securities with a maximum spread of [specify]% on a daily basis and will indicate at the time of providing the quotation how long such quotation will remain actionable, or, in any event, not longer than what the Issuer considers a commercially reasonable time. RBS will not be required to provide a bid/offer price if an event or series of events occurs outside RBS's control (whether or not affecting the market generally) results in (i) the unscheduled closing, (ii) any suspension or (iii) the disruption of any (a) physical or electronic trading system or market affecting the Securities or (b) computer, communications or other service system used by RBS to generate a quotation in respect of the Securities. RBS may determine a bid/offer price in a different manner than other market participants and prices can vary. Sometimes this variance may be substantial. The bid/offer spread will be subject to RBS's discretion. [specify other]] (only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB)]

Series:

[Inflation Index] Notes due [ ] Series [ ]

[repeat as above for each new Series]

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## CALLABLE INDEX NOTES

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Series:	<i>callable [Index] Notes due [ ] Series [ ]</i>
Nominal Amount:	[ ] <i>[If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent)]</i>
Issue Price:	[ ]
Additional Market Disruption Events:	[None] <i>[specify]</i>
Barrier Level:	[Applicable – [Relevant Percentage x Initial Reference Price] <i>[specify other formula]</i> ][Not Applicable]
Business Day:	[The definition in Product Condition 1 applies] <i>[specify other]</i>
Business Day Convention:	[Modified Following][Following]
Cash Amount:	<p>(i) If the Final Reference Price is greater than the Initial Reference Price: Nominal Amount * <i>[specify]</i>; or</p> <p>(ii) If the Final Reference Price is greater than the Barrier Level up to (and including) the Initial Reference Price: Nominal Amount * 100%;</p> <p>(iii) Otherwise: Nominal Amount * (Final Reference Price/Initial Reference Price)]</p> <p><i>[specify other]</i></p>
Early Redemption Amount:	[Nominal Amount * <i>[specify]</i> ] Where t = either <i>[specify]</i> corresponding to the Valuation Date on which the Early Redemption Event occurs.] <i>[specify other]</i>
Early Redemption Date(s):	[ ]
Early Redemption Event:	[If the Issuer, in its sole and absolute discretion determines that an Early Redemption Event should occur in respect of an Early Redemption Date] <i>[specify other]</i>
Emerging Market Disruption Events:	[The definition in Product Condition 1 applies] <i>[specify other]</i>

Final Reference Price:	[The definition in Product Condition 1 applies] [ <i>specify other</i> ]
[Commodity] Index:	[ ] (Bloomberg Code: [ ])
Initial Reference Price:	[The definition in Product Condition 1 applies] [ <i>specify other</i> ]
Maturity Date:	[ ]
Relevant Currency:	[The definition in Product Condition 1 applies] [ <i>specify other</i> ]
Relevant Number of Trading Days:	[8, or in respect of an Emerging Market Disruption Event only, 180]
Relevant Percentage:	[[ ] per cent. per annum] [Not Applicable]
Settlement Currency:	[ ]
Settlement Date:	[Following an Early Redemption Event, the [fifth] Business Day following the relevant Early Redemption Date and otherwise the Maturity Date or if later, the [fifth] Business Day following the final Valuation Date] [ <i>specify other</i> ]
Standard Currency:	[The definition in Product Condition 1 applies] [ <i>specify other</i> ]
Valuation Date:	[ ]
ISIN:	[ ]
Common Code:	[ ]
Fondscore:	[ ]
Other Securities Code:	[ ] [ <i>Symbol: </i> ]
Indication of yield:	Not Applicable
Amendments to General Conditions or Product Conditions:	[Additional Condition 2.1: Applicable] [Additional Condition 4.1: Applicable] [Not Applicable] [Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer]

and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have and (vi) other changes which are not materially prejudicial to the interests of the holders of Securities.] *(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

Amendments to the Offering Procedure for the Securities: [ ]

*(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

Sales Restriction:

The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (“**Securities Act**”) and the Securities may not be exercised, offered, sold, transferred or delivered within the United States or to, or for the account or benefit of, any U.S. person as defined in Regulation S under the Securities Act. Furthermore, trading in the Securities has not been approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act, as amended and no U.S. person may at any time trade or maintain a position in the Securities.

## INFORMATION ON THE UNDERLYING

Performance of Underlying/formula/ other variable, explanation of effect on value of investment and associated risks and other information concerning the Underlying:

[Need to include details of where past and future performance and volatility of the Underlying/formula/other variable can be obtained.]

[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the Underlying and the circumstances when the risks are most evident.]

*(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*

Page where information about the past and future performance of the Underlying and its volatility can be obtained:

[ ]

*(Insert the following where the Securities are sold to Italian investors)*

[Website: [ ]]

Italian Newspaper: [ ]

[Secondary Market:

(i) Under normal market conditions, the Issuer intends (but is not obliged) to provide a secondary market throughout the term of the Securities with an indicative spread of *[specify].[specify other]* (only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB); or

(ii) The Royal Bank of Scotland plc ("**RBS**") will use reasonable endeavours, under normal market conditions and at its discretion, to provide Holders with a bid/offer price for the Securities with a maximum spread of *[specify]*% on a daily basis and will indicate at the time of providing the quotation how long such quotation will remain actionable, or, in any event, not longer than what the Issuer considers a commercially reasonable time. RBS will not be required to provide a bid/offer price if an event or series of events occurs outside RBS's control (whether or not affecting the market generally) results in (i) the unscheduled closing, (ii) any suspension or (iii) the disruption of any (a) physical or electronic trading system or market affecting the Securities or (b) computer, communications or other service system used by RBS to generate a quotation in respect of the Securities. RBS may determine a bid/offer price in a different manner than other market participants and prices can vary. Sometimes this variance may be substantial. The bid/offer spread will be subject to RBS's discretion. *[specify other]* (only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB)]

Series:

Callable *[Index]* Notes due [ ] Series [ ]

*[repeat as above for each new Series]*

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## AUTOCALLABLE INDEX NOTES

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Series:	<i>Autocallable [Index] Notes due [ ] Series [ ]</i>
Nominal Amount:	[ ] <i>[If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent)]</i>
Issue Price:	[ ]
Additional Market Disruption Events:	[None] <i>[specify]</i>
Barrier Level:	[Relevant Percentage x Initial Reference Price] <i>[specify other]</i>
Business Day:	[The definition in Product Condition 1 applies] <i>[specify other]</i>
Business Day Convention:	[Modified Following][Following]
Cash Amount:	(i) [If the Final Reference Price is greater than the Initial Reference Price: Nominal Amount * <i>[specify]</i> ; or (ii) If the Final Reference Price is greater than the Barrier Level up to (and including) the Initial Reference Price: Nominal Amount * 100%; (iii) Otherwise: Nominal Amount * (Final Reference Price/Initial Reference Price)] <i>[specify other]</i>
Early Redemption Amount:	[Nominal Amount * <i>[specify]</i> Where t = either <i>[specify]</i> corresponding to the Valuation Date on which the Early Redemption Event occurs.] <i>[specify other]</i>
Early Redemption Event:	[The definition in Product Condition 1 applies] <i>[specify other]</i>
Emerging Market Disruption Events:	[The definition in Product Condition 1 applies] <i>[specify other]</i>
Final Reference Price:	[The definition in Product Condition 1 applies] <i>[specify other]</i>
[Commodity] Index:	[ ] (Bloomberg Code: [ ])
Initial Reference Price:	[The definition in Product Condition 1 applies] <i>[specify other]</i>

Interest: [Applicable] [Not Applicable]

Interest Payment Dates: [[ ] [and [ ]]] in each year up to and including the Maturity Date, with the first Interest Payment Date being [ ] [Not Applicable] [*specify other*]

Interest Period: [As stated in Product Condition 1][*specify other*][Not Applicable]

Interest Rate: [[ ] per cent. [per annum] [Not Applicable] [*specify other*]

Interest Rate Day Count Fraction: [The actual number of days in the relevant period divided by 365 save that for a portion which any such period falls in a leap year, the number of days in such portion shall be divided by 366]

[The number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month))]

[*specify other*] [Not Applicable]

Maturity Date: [ ]

Relevant Currency: [The definition in Product Condition 1 applies] [*specify other*]

Relevant Number of Trading Days: [8, or in respect of an Emerging Market Disruption Event only, 180]

Relevant Percentage: [ ] per cent. per annum

Settlement Currency: [ ]

Settlement Date: [Following an Early Redemption Event, the [third] Business Day following the relevant Valuation Date and otherwise the Maturity Date or if later, the [third] Business Day following the final Valuation Date] [*specify other*]

Standard Currency: [The definition in Product Condition 1 applies] [*specify other*]

Valuation Date(s): [ ]

ISIN: [ ]

Common Code: [ ]

Fondscore:	[ ]
Other Securities Code:	[ ] [Symbol: ]
Indication of yield:	Not Applicable
Amendments to General Conditions or Product Conditions:	[Additional Condition 2.1: Applicable] [Additional Condition 4.1: Applicable] [Not Applicable] [Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have and (vi) other changes which are not materially prejudicial to the interests of the holders of Securities.] <i>(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)</i>
Amendments to the Offering Procedure for the Securities:	[ ] <i>(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)</i>
Sales Restriction:	The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (“ <b>Securities Act</b> ”) and the Securities may not be exercised, offered, sold, transferred or delivered within the United States or to, or for the account or benefit of, any U.S. person as defined in Regulation S under the Securities Act. Furthermore, trading in the Securities has not been approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act, as amended and no U.S. person may at any time trade or maintain a position in the Securities.

## INFORMATION ON THE UNDERLYING

Performance of Underlying/formula/ other variable, explanation of effect on value of investment and associated risks and other	[Need to include details of where past and future performance and volatility of the Underlying/formula/other variable can be obtained.]
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information concerning the Underlying:

[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the Underlying and the circumstances when the risks are most evident.]

*(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*

Page where information about the past and future performance of the Underlying and its volatility can be obtained:

[ ]

*(Insert the following where the Securities are sold to Italian investors)*

[Website: [ ]]

Italian Newspaper: [ ]

[Secondary Market:

(i) Under normal market conditions, the Issuer intends (but is not obliged) to provide a secondary market throughout the term of the Securities with an indicative spread of [specify].[specify other]] *(only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB)*; or

(ii) The Royal Bank of Scotland plc ("**RBS**") will use reasonable endeavours, under normal market conditions and at its discretion, to provide Holders with a bid/offer price for the Securities with a maximum spread of [specify]% on a daily basis and will indicate at the time of providing the quotation how long such quotation will remain actionable, or, in any event, not longer than what the Issuer considers a commercially reasonable time. RBS will not be required to provide a bid/offer price if an event or series of events occurs outside RBS's control (whether or not affecting the market generally) results in (i) the unscheduled closing, (ii) any suspension or (iii) the disruption of any (a) physical or electronic trading system or market affecting the Securities or (b) computer, communications or other service system used by RBS to generate a quotation in respect of the Securities. RBS may determine a bid/offer price in a different manner than other market participants and prices can vary. Sometimes this variance may be substantial. The bid/offer spread will be subject to RBS's discretion. [specify other]] *(only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB)*

Series:

*Autocallable [Index] Notes due [ ] Series [ ]*

*[repeat as above for each new Series]*

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**AUTOCALLABLE SHARE BASKET NOTES**

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Series: *Autocallable [Share Basket] Notes due [ ]*  
*Series [ ]*

Nominal Amount: [ ] *[If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent)]*

Issue Price: [ ]

Additional Market Disruption Events: [None] *[specify]*

Barrier Level: [Relevant Percentage x Initial Reference Price] *[specify other]*

Business Day: [The definition in Product Condition 1 applies] *[specify other]*

Business Day Convention: [Modified Following][Following]

Basket: [ ] (Bloomberg Code: [ ])

<b>Share</b>	<b>Share Company</b>	<b>Exchange</b>	<b>Weighting</b>	<b>Underlying Currency</b>
[Type and ISIN]	[specify]	[specify]	[specify] per cent.	[specify]
				[Not applicable]

Cash Amount: (i) [If the Final Reference Price is greater than the Initial Reference Price:  
Nominal Amount \* *[specify]*]; or

(ii) If the Final Reference Price is greater than the Barrier Level up to (and including) the Initial Reference Price:  
Nominal Amount \* 100%;

(iii) Otherwise:  
Nominal Amount \* (Final Reference Price/Initial Reference Price)] *[specify other]*

Early Redemption Amount: [Nominal Amount \* *[specify]*]  
Where t = either *[specify]* corresponding to the Valuation Date on which the Early Redemption Event occurs.] *[specify other]*

Early Redemption Event:	[The definition in Product Condition 1 applies] [ <i>specify other</i> ]
Emerging Market Disruption Events:	[The definition in Product Condition 1 applies] [ <i>specify other</i> ]
Final Reference Price:	[The definition in Product Condition 1 applies] [ <i>specify other</i> ]
Initial Reference Price:	[The definition in Product Condition 1 applies] [ <i>specify other</i> ]
Interest:	[Applicable] [Not Applicable]
Interest Payment Dates:	[[ ] [and [ ]]] in each year up to and including the Maturity Date, with the first Interest Payment Date being [ ] [Not Applicable] [ <i>specify other</i> ]
Interest Period:	[As stated in Product Condition 1][ <i>specify other</i> ][Not Applicable]
Interest Rate:	[[ ] per cent. [per annum] [Not Applicable] [ <i>specify other</i> ]
Interest Rate Day Count Fraction:	[The actual number of days in the relevant period divided by 365 save that for a portion which any such period falls in a leap year, the number of days in such portion shall be divided by 366]  [The number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month))]  [ <i>specify other</i> ] [Not Applicable]
Maturity Date:	[ ]
Physical Settlement:	[Applicable][Not Applicable]
Reference Price:	[ ]
Relevant Currency:	[The definition in Product Condition 1 applies] [ <i>specify other</i> ]
Relevant Number of Trading Days:	[8, or in respect of an Emerging Market Disruption Event only, 180]
Relevant Percentage:	[[ ] per cent. per annum] [None]
Settlement Currency:	[ ]

Settlement Date:	[Following an Early Redemption Event, the [third] Business Day following the relevant Valuation Date and otherwise the Maturity Date or if later, the [third] Business Day following the final Valuation Date] [ <i>specify other</i> ]
Share Amount:	[The definition in Product Condition 1 applies] [ <i>specify other</i> ]
Standard Currency:	[The definition in Product Condition 1 applies] [ <i>specify other</i> ]
Underlying Currency:	[ <i>specify</i> ]
Valuation Date(s):	[ ]
ISIN:	[ ]
Common Code:	[ ]
Fondscore:	[ ]
Other Securities Code:	[ ] [ <i>Symbol: </i> ]
Indication of yield:	Not Applicable
Amendments to General Conditions or Product Conditions:	[Additional Condition 2.1: Applicable] [Additional Condition 4.1: Applicable] [Not Applicable]  [Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have and (vi) other changes which are not materially prejudicial to the interests of the holders of Securities.] ( <i>When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive</i> )
Amendments to the Offering Procedure for the Securities:	[ ]  ( <i>When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive</i> )

Sales Restriction:

The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (“**Securities Act**”) and the Securities may not be exercised, offered, sold, transferred or delivered within the United States or to, or for the account or benefit of, any U.S. person as defined in Regulation S under the Securities Act. Furthermore, trading in the Securities has not been approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act, as amended and no U.S. person may at any time trade or maintain a position in the Securities.

## INFORMATION ON THE UNDERLYING

Performance of Underlying/formula/ other variable, explanation of effect on value of investment and associated risks and other information concerning the Underlying:

[Need to include details of where past and future performance and volatility of the Underlying/formula/other variable can be obtained.]

[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the Underlying and the circumstances when the risks are most evident.]

*(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*

Page where information about the past and future performance of the Underlying and its volatility can be obtained:

[ ]

*(Insert the following where the Securities are sold to Italian investors)*

[Website: [ ]]

Italian Newspaper: [ ]

[Secondary Market:

(i) Under normal market conditions, the Issuer intends (but is not obliged) to provide a secondary market throughout the term of the Securities with an indicative spread of [specify].[specify other]] *(only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB)*; or

(ii) The Royal Bank of Scotland plc ("**RBS**") will use reasonable endeavours, under normal market conditions and at its discretion, to provide Holders with a bid/offer price for the Securities with a maximum spread of [specify]% on a daily basis and will indicate at the time of providing the quotation how long such quotation will remain actionable, or, in any event, not longer than what the Issuer considers a commercially reasonable time. RBS will not be required to provide a bid/offer price if an event or series of events occurs outside RBS's

control (whether or not affecting the market generally) results in (i) the unscheduled closing, (ii) any suspension or (iii) the disruption of any (a) physical or electronic trading system or market affecting the Securities or (b) computer, communications or other service system used by RBS to generate a quotation in respect of the Securities. RBS may determine a bid/offer price in a different manner than other market participants and prices can vary. Sometimes this variance may be substantial. The bid/offer spread will be subject to RBS's discretion. *[specify other]* (only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB)]

Series:

*Autocallable [Share Basket] Notes due [ ]*

*Series [ ]*

*[repeat as above for each new Series]*

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**AUTOCALLABLE REFERENCE RATE NOTES**

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Series:	<i>Autocallable [Reference Rate] Notes due [ ] Series [ ]</i>
Nominal Amount:	[ ] <i>[If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent)]</i>
Issue Price:	[ ]
Additional Market Disruption Events:	[None] <i>[specify]</i>
Barrier Level:	[Relevant Percentage x Initial Reference Price] <i>[specify other]</i>
Business Day:	[The definition in Product Condition 1 applies] <i>[specify other]</i>
Business Day Convention:	[Modified Following][Following]
Cash Amount:	(i) [If the Final Reference Price is greater than the Initial Reference Price: Nominal Amount * <i>[specify]</i> ; or (ii) If the Final Reference Price is greater than the Barrier Level up to (and including) the Initial Reference Price: Nominal Amount * 100%; (iii) Otherwise: Nominal Amount * (Final Reference Price/Initial Reference Price)] <i>[specify other]</i>
Early Redemption Amount:	[Nominal Amount * <i>[specify]</i> Where t = either <i>[specify]</i> corresponding to the Valuation Date on which the Early Redemption Event occurs.] <i>[specify other]</i>
Early Redemption Event:	[The definition in Product Condition 1 applies] <i>[specify other]</i>
Emerging Market Disruption Events:	[The definition in Product Condition 1 applies] <i>[specify other]</i>
Final Reference Price:	[The definition in Product Condition 1 applies] <i>[specify other]</i>
Initial Reference Price:	[The definition in Product Condition 1 applies] <i>[specify other]</i>
Interest:	[Applicable] [Not Applicable]

Interest Payment Dates: [[ ] [and [ ]]] in each year up to and including the Maturity Date, with the first Interest Payment Date being [ ] [Not Applicable] [*specify other*]

Interest Period: [As stated in Product Condition 1][*specify other*][Not Applicable]

Interest Rate: [[ ] per cent. [per annum] [Not Applicable] [*specify other*]

Interest Rate Day Count Fraction: [The actual number of days in the relevant period divided by 365 save that for a portion which any such period falls in a leap year, the number of days in such portion shall be divided by 366]

[The number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month))]

[*specify other*] [Not Applicable]

Maturity Date: [ ]

Reference Rate: [ ]

Reference Rate Screen Page: [ ]

Relevant Currency: [The definition in Product Condition 1 applies] [*specify other*]

Relevant Number of Trading Days: [8, or in respect of an Emerging Market Disruption Event only, 180]

Relevant Percentage: [ ] per cent. per annum

Settlement Currency: [ ]

Settlement Date: [Following an Early Redemption Event, the [third] Business Day following the relevant Valuation Date and otherwise the Maturity Date or if later, the [third] Business Day following the final Valuation Date] [*specify other*]

Standard Currency: [The definition in Product Condition 1 applies] [*specify other*]

Valuation Date(s): [ ]

Valuation Time:	[      ]
ISIN:	[      ]
Common Code:	[      ]
Fondscore:	[      ]
Other Securities Code:	[      ] <i>[Symbol:    ]</i>
Indication of yield:	Not Applicable
Amendments to General Conditions or Product Conditions:	[Additional Condition 2.1: Applicable] [Additional Condition 4.1: Applicable] [Not Applicable]  [Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have and (vi) other changes which are not materially prejudicial to the interests of the holders of Securities.] <i>(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)</i>
Amendments to the Offering Procedure for the Securities:	[      ]  <i>(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)</i>
Sales Restriction:	The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (“ <b>Securities Act</b> ”) and the Securities may not be exercised, offered, sold, transferred or delivered within the United States or to, or for the account or benefit of, any U.S. person as defined in Regulation S under the Securities Act. Furthermore, trading in the Securities has not been approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act, as amended and no U.S. person may at any time trade or maintain a position in the Securities.

## INFORMATION ON THE UNDERLYING

Performance of Underlying/formula/ other variable, explanation of effect on value of investment and associated risks and other information concerning the Underlying:

[Need to include details of where past and future performance and volatility of the Underlying/formula/other variable can be obtained.]

[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the Underlying and the circumstances when the risks are most evident.]

*(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*

Page where information about the past and future performance of the Underlying and its volatility can be obtained:

[ ]

*(Insert the following where the Securities are sold to Italian investors)*

[Website: [ ]]

Italian Newspaper: [ ]

[Secondary Market:

(i) Under normal market conditions, the Issuer intends (but is not obliged) to provide a secondary market throughout the term of the Securities with an indicative spread of [specify].[specify other]] *(only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB)*; or

(ii) The Royal Bank of Scotland plc ("**RBS**") will use reasonable endeavours, under normal market conditions and at its discretion, to provide Holders with a bid/offer price for the Securities with a maximum spread of [specify]% on a daily basis and will indicate at the time of providing the quotation how long such quotation will remain actionable, or, in any event, not longer than what the Issuer considers a commercially reasonable time. RBS will not be required to provide a bid/offer price if an event or series of events occurs outside RBS's control (whether or not affecting the market generally) results in (i) the unscheduled closing, (ii) any suspension or (iii) the disruption of any (a) physical or electronic trading system or market affecting the Securities or (b) computer, communications or other service system used by RBS to generate a quotation in respect of the Securities. RBS may determine a bid/offer price in a different manner than other market participants and prices can vary. Sometimes this variance may be substantial. The bid/offer spread will be subject to RBS's discretion. [specify other]] *(only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB)*

Series:

*Autocallable [Reference Rate] Notes due [ ] Series [ ]*

*[repeat as above for each new Series]*

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**SHARE NOTES**

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Series: *[Share][Share Basket] Notes due [ ] Series [ ]*

Nominal Amount: *[ ] [If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent)]*

Issue Price: *[ ]*

Additional Market Disruption Events: *[None] [specify]*

Basket: *[Not Applicable]*

<b>Share</b>	<b>Share Company</b>	<b>Exchange</b>	<b>Weighting</b>	<b>Underlying Currency</b>
<i>[Type and ISIN]</i>	<i>[specify]</i>	<i>[specify]</i>	<i>[specify] per cent. [specify] [Not Applicable]</i>	<i>[specify]</i>

Business Day: *[The definition in Product Condition 1 applies] [specify other]*

Business Day Convention: *[Modified Following][Following]*

Cash Amount: *[insert redemption formula and applicable related definitions]*

Emerging Market Disruption Events: *[The definition in Product Condition 1 applies] [specify other]*

Exchange: *[ ] [See Basket]*

Final Averaging Dates: *[ ] [Not Applicable]*

Final Reference Price: *[ ] [Not Applicable]*

Initial Averaging Dates: *[ ] [Not Applicable]*

Initial Reference Price: *[ ] [Not Applicable]*

Interest: *[Applicable][Not Applicable]*

Interest Payment Dates: *[[ ] [and [ ]]] in each year up to and including the Maturity Date], with the first Interest Payment Date being [ ] [Not Applicable] [specify other]*

Interest Period: *[As stated in Product Condition 1][specify other][Not Applicable]*

Interest Rate: [ ] [Not Applicable]

Interest Rate Day Count Fraction: [The actual number of days in the relevant period divided by 365 save that for a portion which any such period falls in a leap year, the number of days in such portion shall be divided by 366]  
[The number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month))] [specify other] [Not Applicable]

Issuer Call: [Applicable] [Not Applicable]

Issuer Call Cash Amount: [Cash Amount] [specify other] [Not Applicable]

Issuer Call Commencement Date: [ ] [Not Applicable]

Issuer Call Date: [specify] [See Issuer notice of call]

Issuer Call Notice Period: [ ] [Not Applicable]

Maturity Date: [ ]

Relevant Currency: [The definition in Product Condition 1 applies] [specify other]

Settlement Currency: [ ]

Settlement Date: [The Maturity Date [or, if later, the [third] Business Day following the [Valuation Date][last Final Averaging Date]]] [specify other]

Share: [ ] [See Basket]

Share Company: [ ] [See Basket]

Specified Trading Days: [ ]

Specified Valid Averaging Dates: For the purpose of Initial Averaging Dates: [5, or in respect of an Emerging Market Disruption Event only, 180]  
For the purpose of Final Averaging Dates: [5, or in respect of an Emerging Market Disruption Event only, 180]

Standard Currency: [The definition in Product Condition 1 applies] [specify other]

Underlying Currency: [ ] [See Basket]

Valuation Date: [[*Insert number*] Trading Days prior to the Maturity Date]  
 [*specify date*] or, if such day is not a Trading Day, then the next succeeding day which is a Trading Day]  
 [the last Final Averaging Date]  
 [*specify other*] [Not Applicable]

ISIN: [ ]

Common Code: [ ]

Fondscore: [ ]

Other Securities Code: [ ] [*Symbol:*  ]

Indication of yield: [ ]  
 [Calculated as [*include details of method of calculation in summary form*] on the Issue Date.] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

Amendments to General Conditions or Product Conditions: [Additional Condition 2.1: Applicable] [Additional Condition 4.1: Applicable] [Not Applicable]  
 [Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have and (vi) other changes which are not materially prejudicial to the interests of the holders of Securities.] (*When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive*)

Amendments to the Offering Procedure for the Securities: [ ]  
 (*When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive*)

Sales Restriction: The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (“**Securities Act**”) and the Securities may not be exercised, offered, sold, transferred or delivered

within the United States or to, or for the account or benefit of, any U.S. person as defined in Regulation S under the Securities Act. Furthermore, trading in the Securities has not been approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act, as amended and no U.S. person may at any time trade or maintain a position in the Securities.

## INFORMATION ON THE UNDERLYING

Performance of Underlying/formula/ other variable, explanation of effect on value of investment and associated risks and other information concerning the Underlying:

[Need to include details of where past and future performance and volatility of the Underlying/formula/other variable can be obtained.]

[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the Underlying and the circumstances when the risks are most evident.]

*(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*

Page where information about the past and future performance of the Underlying and its volatility can be obtained:

[ ]

*(Insert the following where the Securities are sold to Italian investors)*

[Website: [ ]]

Italian Newspaper: [ ]

[Secondary Market:

(i) Under normal market conditions, the Issuer intends (but is not obliged) to provide a secondary market throughout the term of the Securities with an indicative spread of [specify].[specify other]] *(only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB)*; or

(ii) The Royal Bank of Scotland plc ("**RBS**") will use reasonable endeavours, under normal market conditions and at its discretion, to provide Holders with a bid/offer price for the Securities with a maximum spread of [specify]% on a daily basis and will indicate at the time of providing the quotation how long such quotation will remain actionable, or, in any event, not longer than what the Issuer considers a commercially reasonable time. RBS will not be required to provide a bid/offer price if an event or series of events occurs outside RBS's control (whether or not affecting the market generally) results in (i) the unscheduled closing, (ii) any suspension or (iii) the disruption of any (a) physical or electronic trading system or market affecting the Securities or(b)

computer, communications or other service system used by RBS to generate a quotation in respect of the Securities. RBS may determine a bid/offer price in a different manner than other market participants and prices can vary. Sometimes this variance may be substantial. The bid/offer spread will be subject to RBS's discretion. *[specify other]* (only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB)]

Series:

*[Share][Share Basket] Notes due [ ] Series [ ]*

*[repeat as above for each new Series]*

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**SINGLE STOCK EXCHANGEABLE NOTES**

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Series: *[Share] Exchangeable Notes (into Cash) due [ ] Series [ ]*

Nominal Amount: *[ ] [If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent)]*

Issue Price: *[ ]*

Additional Market Disruption Events: *[None] [specify]*

Business Day: *[The definition in Product Condition 1 applies] [specify other]*

Business Day Convention: *[Modified Following][Following]*

Cash Amount: *[Nominal Amount x 100%] [specify other]*

Conversion Amount: *[Nominal Amount x [Final Reference Price/(Initial Reference Price x [ ]%)] [specify other]*

Conversion Time: *[ ]*

Emerging Market Disruption Events: *[The definition in Product Condition 1 applies] [specify other]*

Exchange: *[ ]*

Exchange Period: *[The period commencing on (and including) the Issue Date to [and including]) the Valuation Date] [specify other]*

Final Reference Price: *[The definition in Product Condition 1 applies] [specify other]*

Initial Reference Price: *[ ]*

Interest: *[Applicable][Not Applicable]*

Interest Payment Dates: *[[ ] [and [ ]] in each year up to and including the Maturity Date, with the first Interest Payment Date being [ ] [Not Applicable] [specify other]*

Interest Period: *[As stated in Product Condition 1][specify other][Not Applicable]*

Interest Rate: *[ ] [Not Applicable]*

Interest Rate Day Count Fraction: *[The actual number of days in the relevant period divided by 365 save that for a portion which any such period falls in a leap year, the number of days in such portion shall be divided by 366]  
[The number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of*

a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month))]  
[specify other] [Not Applicable]

Issuer Call: [Applicable] [Not Applicable]

Issuer Call Cash Amount: [Nominal Amount x 100] [specify other] [Not Applicable]

Issuer Call Commencement Date: [ ] [Not Applicable]

Issuer Call Date: [specify] [See issuer notice of call]

Issuer Call Notice Period: [ ] [Not Applicable]

Maturity Date: [ ]

Optional Exchange Right Notice Period: [ ]

Relevant Currency: [The definition in Product Condition 1 applies] [specify other]

Relevant Number of Trading Days: For the purpose of “Issuer Call Date”, [8, or in respect of an Emerging Market Disruption Event only, 180]  
For the purpose of “Valuation Date”, [8, or in respect of an Emerging Market Disruption Event only, 180]

Settlement Currency: [ ]

Settlement Date: [The earlier of (i) the fifth Business Day following the Early Termination Date [or the Issuer Call Date, as the case may be,] and (ii) the Maturity Date] [specify other]

Share: [ ]

Share Company: [ ]

Standard Currency: [The definition in Product Condition 1 applies] [specify other]

Underlying Currency: [ ]

Valuation Date: [ ]

ISIN: [ ]

Common Code: [ ]

Fondscore: [ ]

Other Securities Code: [ ] *[Symbol: ]*

Indication of yield: [ ]  
 [Calculated as *[include details of method of calculation in summary form]* on the Issue Date.] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

Amendments to General Conditions or Product Conditions: [Additional Condition 2.1: Applicable] [Additional Condition 4.1: Applicable] [Not Applicable]  
 [Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have and (vi) other changes which are not materially prejudicial to the interests of the holders of Securities.] *(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

Amendments to the Offering Procedure for the Securities: [ ]  
*(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

Sales Restriction: The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (“**Securities Act**”) and the Securities may not be exercised, offered, sold, transferred or delivered within the United States or to, or for the account or benefit of, any U.S. person as defined in Regulation S under the Securities Act. Furthermore, trading in the Securities has not been approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act, as amended and no U.S. person may at any time trade or maintain a position in the Securities.

## INFORMATION ON THE UNDERLYING

Performance of Underlying/formula/ other variable, explanation of effect on value of investment and associated risks and other information concerning the Underlying:

[Need to include details of where past and future performance and volatility of the Underlying/formula/other variable can be obtained.]

[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the Underlying and the circumstances when the risks are most evident.]

*(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*

Page where information about the past and future performance of the Underlying and its volatility can be obtained:

[ ]

*(Insert the following where the Securities are sold to Italian investors)*

[Website: [ ]]

Italian Newspaper: [ ]

[Secondary Market:

(i) Under normal market conditions, the Issuer intends (but is not obliged) to provide a secondary market throughout the term of the Securities with an indicative spread of [specify].[specify other]] *(only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB)*; or

(ii) The Royal Bank of Scotland plc ("**RBS**") will use reasonable endeavours, under normal market conditions and at its discretion, to provide Holders with a bid/offer price for the Securities with a maximum spread of [specify]% on a daily basis and will indicate at the time of providing the quotation how long such quotation will remain actionable, or, in any event, not longer than what the Issuer considers a commercially reasonable time. RBS will not be required to provide a bid/offer price if an event or series of events occurs outside RBS's control (whether or not affecting the market generally) results in (i) the unscheduled closing, (ii) any suspension or (iii) the disruption of any (a) physical or electronic trading system or market affecting the Securities or (b) computer, communications or other service system used by RBS to generate a quotation in respect of the Securities. RBS may determine a bid/offer price in a different manner than other market participants and prices can vary. Sometimes this variance may be substantial. The bid/offer spread will be subject to RBS's discretion. [specify other]] *(only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB)*

Series:

*[Share] Exchangeable Notes (into Cash) due [ ] Series [ ]*

*[repeat as above for each new Series]*

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**INDEX EXCHANGEABLE NOTES**

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Series:	<i>[Index] Exchangeable Notes due [ ] Series [ ]</i>
Nominal Amount:	<i>[ ] [If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent)]</i>
Issue Price:	<i>[ ]</i>
Additional Market Disruption Events:	<i>[None] [specify]</i>
Business Day:	<i>[The definition in Product Condition 1 applies] [specify other]</i>
Business Day Convention:	<i>[Modified Following][Following]</i>
Cash Amount:	<i>[Nominal Amount x 100%] [specify other]</i>
Conversion Amount:	<i>[Nominal Amount x (Final Index Level/Conversion Level)] [specify other]</i>
Conversion Level:	<i>[ ]</i>
Conversion Time:	<i>[ ]</i>
Early Termination Date:	<i>[The Trading Day immediately after the Holder Early Termination Notice Date] [specify other]</i>
Emerging Market Disruption Events:	<i>[The definition in Product Condition 1 applies] [specify other]</i>
Exchange Period:	<i>[The period commencing from (but excluding) the Issue Date to [(but including)] the Final Termination Date] [specify other]</i>
Final Termination Date:	<i>[Fifth Business Day prior to the Maturity Date] [specify other]</i>
[Commodity] Index:	<i>[ ](Bloomberg Code: [ ])</i>
Interest:	<i>[Applicable][Not Applicable]</i>
Interest Payment Dates:	<i>[[ ] [and [ ]] in each year up to and including the Maturity Date, with the first Interest Payment Date being [ ] [Not Applicable] [specify other]</i>
Interest Period:	<i>[As stated in Product Condition 1][specify other][Not Applicable]</i>
Interest Rate:	<i>[ ] [Not Applicable]</i>
Interest Rate Day Count Fraction:	<i>[The actual number of days in the relevant period divided by 365 save that for a portion which any such</i>

period falls in a leap year, the number of days in such portion shall be divided by 366]

[The number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month))]

[*specify other*] [Not Applicable]

Issuer Call: [Applicable] [Not Applicable]

Issuer Call Cash Amount: [Nominal Amount x 100%] [Nominal Amount x (Final Index Level/Conversion Level)] [*specify other*] [Not Applicable]

Issuer Call Commencement Date: [ ] [Not Applicable]

Issuer Call Date: [*specify*] [See Issuer notice of call]

Issuer Call Notice Period: [ ] [Not Applicable]

Maturity Date: [ ] [Not Applicable]

Optional Exchange Right Notice Period: [ ]

Relevant Currency: [The definition in Product Condition 1 applies] [*specify other*]

Relevant Number of Trading Days: For the purpose of “Early Termination Date”, [8, or in respect of an Emerging Market Disruption Event only, 180]

For the purpose of “Issuer Call Date”, [8, or in respect of an Emerging Market Disruption Event only, 180]

Settlement Currency: [ ]

Settlement Date: [The earlier of (i) the fifth Business Day following the Early Termination Date [or the Issuer Call Date, as the case may be,] and (ii) the Maturity Date] [*specify other*]

Standard Currency: [The definition in Product Condition 1 applies] [*specify other*]

Underlying Currency: [ ]

ISIN: [ ]

Common Code: [ ]

Fondscore: [ ]

Other Securities Code: [ ] *[Symbol: ]*

Indication of yield: [ ]  
 [Calculated as *[include details of method of calculation in summary form]* on the Issue Date.] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

Amendments to General Conditions or Product Conditions: [Additional Condition 2.1: Applicable] [Additional Condition 4.1: Applicable] [Not Applicable]  
 [Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have and (vi) other changes which are not materially prejudicial to the interests of the holders of Securities.] [ ]  
*(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

Amendments to the Offering Procedure for the Securities: [ ]  
*(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

Sales Restriction: The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (“**Securities Act**”) and the Securities may not be exercised, offered, sold, transferred or delivered within the United States or to, or for the account or benefit of, any U.S. person as defined in Regulation S under the Securities Act. Furthermore, trading in the Securities has not been approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act, as amended and no U.S. person may at any time trade or maintain a

position in the Securities.

## INFORMATION ON THE UNDERLYING

Performance of Underlying/formula/ other variable, explanation of effect on value of investment and associated risks and other information concerning the Underlying:

[Need to include details of where past and future performance and volatility of the Underlying/formula/other variable can be obtained.]

[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the Underlying and the circumstances when the risks are most evident.]

*(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*

Page where information about the past and future performance of the Underlying and its volatility can be obtained:

[ ]

*(Insert the following where the Securities are sold to Italian investors)*

[Website: [ ]]

Italian Newspaper: [ ]

[Secondary Market:

(i) Under normal market conditions, the Issuer intends (but is not obliged) to provide a secondary market throughout the term of the Securities with an indicative spread of [specify].[specify other]] *(only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB)*; or

(ii) The Royal Bank of Scotland plc ("**RBS**") will use reasonable endeavours, under normal market conditions and at its discretion, to provide Holders with a bid/offer price for the Securities with a maximum spread of [specify]% on a daily basis and will indicate at the time of providing the quotation how long such quotation will remain actionable, or, in any event, not longer than what the Issuer considers a commercially reasonable time. RBS will not be required to provide a bid/offer price if an event or series of events occurs outside RBS's control (whether or not affecting the market generally) results in (i) the unscheduled closing, (ii) any suspension or (iii) the disruption of any (a) physical or electronic trading system or market affecting the Securities or (b) computer, communications or other service system used by RBS to generate a quotation in respect of the Securities. RBS may determine a bid/offer price in a different manner than other market participants and prices can vary. Sometimes this variance may be substantial. The bid/offer spread will be subject to RBS's discretion. [specify other]] *(only applicable for Securities*

*clearing via Euroclear Finland and Euroclear Sweden  
AB)]*

Series:

*[Index] Exchangeable Notes due [ ] Series [ ]*

*[repeat as above for each new Series]*

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**MULTI-ASSET BASKET LINKED NOTES**

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Series: [5 Year Himalaya Note Linked to a Multi-Asset Basket – Due 2011] [*Specify other*]

Nominal Amount: [ ] [*Specify other*]  
*[If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent)]*

Issue Price: [ (of Denomination)] [*Specify other*]

Additional Disruption Events: [None] [*Specify other*]

Additional Fund Event: [None] [*Specify other*]

Denomination: [ZAR1,000] [*Specify other*]

Basket:

	<b>“Weight”</b>	<b>”Reference Asset Currency”</b>	<b>“Exchange”</b>
[[Commodity]Index]			[ <i>Specify other</i> ] [Not applicable]
[Fund <i>[specify each Reference Asset, Fund Reference Asset and Bloomberg Code as applicable]</i> ]	[ <i>Specify Weight</i> ]	% [ <i>Specify other</i> ]	[Not applicable]
	[Not Applicable]		
Indices:	“[Commodity] Index” [ <i>Specify</i> ]	“ <b>Index Sponsor</b> ” [ <i>Specify</i> ]	
Funds:	[ <i>Specify</i> ],		
Business Day:	[The definition in Product Condition 1 applies] [ <i>Specify other</i> ]		
Business Day Convention:	[Modified Following][Following]		

Cash Amount:

[An amount equal to:

Denomination x Max x [ 0%, (A1 + A2 + A3 + A4 + A5)/5]

Where:

A1 = Return of the Best Performing Reference Asset in the 1<sup>st</sup> year;

A2 = Return of the Best Performing Reference Asset in the 2<sup>nd</sup> year;

A3 = Return of the Best Performing Reference Asset in the 3<sup>rd</sup> year;

A4 = Return of the Best Performing Reference Asset in the 4<sup>th</sup> year; and

A5 = Return of the Best Performing Reference Asset in the 5<sup>th</sup> year.]

[Specify other]

Best Performing Reference Asset:

[The Reference Asset with the highest Return as determined by the Calculation Agent in accordance with the following formula:

Return = [(Final Reference Value/Initial Reference Value) – 1.0772]

[Specify other]

Re-Weighting:

[The Basket is re-weighted on each anniversary of the Issue Date by removing the Best Performing Reference Asset from the Basket on such anniversary date and re-weighting the Basket accordingly.

The Basket in the following year then comprises the remaining Reference Assets in equal Weights.]

[Specify other]

Emerging Market Disruption Events:

[The definition in Product Condition 1 applies] [Specify other]

Exchange:

[Specify] [Not Applicable]

Fund Reference Asset:

[Specify] [Not Applicable]

Initial Reference Value: [In respect of each Reference Asset, the Reference Asset Closing Level on the Start Date.]  
[Specify other]

Initial Reference Values [Specify]

Reference Asset Closing Level: [In respect of each Reference Asset, the official closing level of such Reference Asset quoted on the relevant exchange at the Valuation Time.]  
[Specify other]

Final Reference Value : [In respect of each Reference Asset the Reference Asset Closing Level of such Reference Asset on the Valuation Date.]  
[Specify other]

Interest: [Applicable] [Not Applicable]

Interest Payment Dates: [Not Applicable]  
[ ] [and [ ]] in each year up to and including the Maturity Date, with the first Interest Payment Date being [ ] [The definition in Product Condition 1 applies]  
[Specify other]

Interest Period: [As stated in Product Condition 1][specify other][Not Applicable]

Interest Rate: [Not Applicable]  
[[ ] per cent.] [per annum] [The definition in Product Condition 1 applies]  
[Specify other]

Interest Rate Day Count Fraction: [Not Applicable]  
[The actual number of days in the relevant period divided by 365 save that for a portion which any such period falls in a leap year, the number of days in such portion shall be divided by 366]  
[The number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that

includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month))]

[Specify *other*]

Issuer Call:	[Not Applicable] [Applicable]
Issuer Call Cash Amount:	[Not Applicable] [Cash Amount] [Specify <i>other</i> ]
Issuer Call Commencement Date:	[Not Applicable] [Specify <i>other</i> ]
Issuer Call Date:	[Not Applicable] [Specify <i>other</i> ] [See Issuer notice of call]
Issuer Call Notice Period:	[Not Applicable] [Specify <i>other</i> ]
Maturity Date:	[ ] [Specify <i>other</i> ]
Reference Banks:	[Not Applicable] [The principal London office of five leading dealers in the London interbank market which ordinarily provide quotations for the relevant Underlying Rate, if applicable, or any other rate requested by the Calculation Agent pursuant to Product Condition 4, as selected by the Issuer in its absolute discretion]  [Specify <i>other</i> ]
Relevant Currency:	[The definition in Product Condition 1 applies] [Specify <i>other</i> ]
Relevant Number of Trading Days:	Issuer Call Date: [8, or in respect of an Emerging Market Disruption Event only, 180]  Valuation Date: [8, or in respect of an Emerging Market Disruption Event only, 180]
Standard Currency:	[The definition in Product Condition 1 applies] [Specify <i>other</i> ]
Trading Day:	[In respect of each Reference Asset, a day on which the Relevant Exchange is open and each Related Exchange in relation to such Reference Asset (being, in the case of an Index, an options or futures exchange or quotation system on which options contracts or futures contracts or other

derivatives contracts on such Index are traded), other than a day on which trading on any of the Relevant Exchange or the Related Exchange is scheduled to close prior to its regular weekly closing time.]

[Specify other]

Settlement Currency:

[ZAR]

[Specify other]

Settlement Date:

[The definition in Product Condition 1 applies]

[Specify other]

Valuation Date(s):

[Each anniversary of the Issue Date]

Valuation Time:

[The close of trading on the relevant Exchange in relation to a Reference Asset where the Fund is an exchange traded fund]

[11.00 hours Central European Time]

[Specify other]

ISIN:

[ ]

[Specify other]

Common Code:

[ ]

[Specify other]

Fondscore:

[Not Applicable]

[Specify other]

Other Securities Code:

[Not Applicable]

[Symbol: ]

[Specify other]

Indication of yield:

[ ]

[Calculated as *[include details of method of calculation in summary form]* on the Issue Date.] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

Underlying Rate: [Not Applicable]  
[Specify other]

Pricing Date: [Not Applicable]  
[Specify other]

Amendments to General Conditions or Product Conditions: [Additional Condition 2.1: Applicable] [Additional Condition 4.1: Applicable] [Not Applicable]  
[Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have and (vi) other changes which are not materially prejudicial to the interests of the holders of Securities.] [Specify other]  
*(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

Amendments to the Offering Procedure for the Securities: [ ]  
*(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

Sales Restriction: The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (“**Securities Act**”) and the Securities may not be exercised, offered, sold, transferred or delivered within the United States or to, or for the account or benefit of, any U.S. person as defined in Regulation S under the Securities Act. Furthermore, trading in the Securities has not been approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act, as amended and no U.S. person may at any time trade or maintain a position in the Securities.

**INFORMATION ON THE REFERENCE ASSET**

Performance of Reference Asset/formula/ other variable, explanation of effect on value of investment and associated risks and other information concerning the Reference Asset: [Need to include details of where past and future performance and volatility of the Reference Asset /formula/other variable can be obtained.]  
[Need to include a clear and comprehensive explanation

of how the value of the investment is affected by the Reference Asset and the circumstances when the risks are most evident.]

*(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*

Page where information about the past and future performance of the Underlying and its volatility can be obtained:

[ ]

*(Insert the following where the Securities are sold to Italian investors)*

[Website: [ ]]

Italian Newspaper: [ ]

[Secondary Market:

(i) Under normal market conditions, the Issuer intends (but is not obliged) to provide a secondary market throughout the term of the Securities with an indicative spread of [specify].[specify other]] *(only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB); or*

(ii) The Royal Bank of Scotland plc ("**RBS**") will use reasonable endeavours, under normal market conditions and at its discretion, to provide Holders with a bid/offer price for the Securities with a maximum spread of [specify]% on a daily basis and will indicate at the time of providing the quotation how long such quotation will remain actionable, or, in any event, not longer than what the Issuer considers a commercially reasonable time. RBS will not be required to provide a bid/offer price if an event or series of events occurs outside RBS's control (whether or not affecting the market generally) results in (i) the unscheduled closing, (ii) any suspension or (iii) the disruption of any (a) physical or electronic trading system or market affecting the Securities or (b) computer, communications or other service system used by RBS to generate a quotation in respect of the Securities. RBS may determine a bid/offer price in a different manner than other market participants and prices can vary. Sometimes this variance may be substantial. The bid/offer spread will be subject to RBS's discretion. [specify other]] *(only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB)]*

Index disclaimer(s):

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**MULTI-ASSET BASKET LINKED NOTES II**

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Series: Multi-Asset Basket Linked Notes II due [ ] [*Specify other*]

Nominal Amount: [ ] [If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent)]

Issue Price: [ ]

Additional Market Disruption Events: [*None*] [*Specify other*]

Additional Fund Events: [*None*] [*Specify other*]

Basket:

[“Basket Constituent”	“Weight”	“Share Company”	“Exchange”	“Basket Constituent Currency”
[ <i>specify each Basket Constituent and Bloomberg Code</i> ]	[ <i>Specify per cent Weight</i> ]	[ <i>Specify</i> ]	[ <i>Specify</i> ]	[ <i>Specify</i> ]
	[Not Applicable]	[Not Applicable]	[Not Applicable]	[Not Applicable]

[“Commodity Index”]

[“Share”]

[“Fund”] [*Where the Fund is an exchange traded fund, include details of the Reference Asset*]

[“Index Future”]

Basket Return: [The definition in Product Condition 1 applies]  
[*Specify other*] [Not Applicable]

Business Day: [The definition in Product Condition 1 applies]  
[*Specify other*]

Business Day Convention: [Modified Following] [Following]

Cash Amount:	[An amount equal to: 100 per cent * Nominal Amount + Nominal Amount x Participation * [Max (Basket Return, 0 per cent)] <i>[Specify other]</i>
Emerging Market Disruption Events:	[The definition in Product Condition 1 applies] <i>[Specify other]</i>
Final Averaging:	[Applicable] [Not Applicable]
Fund Return:	[The definition in Product Condition 1 applies] <i>[Specify other]</i> [Not Applicable]
Fund Final Reference Price:	[The definition in Product Condition 1 applies] <i>[Specify other]</i> [Not Applicable]
Fund Initial Reference Price:	[The definition in Product Condition 1 applies] <i>[Specify other]</i> [Not Applicable]
Fund Reference Price:	[The definition in Product Condition 1 applies] <i>[Specify other]</i> [Not Applicable]
Index Return:	[The definition in Product Condition 1 applies] <i>[Specify other]</i> [Not Applicable]
Index Final Reference Price:	[The definition in Product Condition 1 applies] <i>[Specify other]</i> [Not Applicable]
Index Initial Reference Price:	[The definition in Product Condition 1 applies] <i>[Specify other]</i> [Not Applicable]
Index Reference Price:	[The definition in Product Condition 1 applies] <i>[Specify other]</i> [Not Applicable]
Index Future Final Reference Price:	[The definition in Product Condition 1 applies] <i>[Specify other]</i> [Not Applicable]
Index Future Initial Reference Price:	[The definition in Product Condition 1 applies] <i>[Specify other]</i> [Not Applicable]
Index Future Price:	[The definition in Product Condition 1 applies]

[Specify other] [Not Applicable]

Index Future Reference Price: [The definition in Product Condition 1 applies]  
[Specify other] [Not Applicable]

Index Future Return: [The definition in Product Condition 1 applies]  
[Specify other] [Not Applicable]

Interest: [Applicable] [Not Applicable]

Interest Payment Dates: [Not Applicable]  
[ ] [and [ ]] in each year up to and including the Maturity Date,  
with the first Interest Payment Date being [ ] [The definition in  
Product Condition 1 applies]  
[Specify other]

Interest Period: [As stated in Product Condition 1] [specify other] [Not Applicable]

Interest Rate: [Not Applicable]  
[[ ] per cent.] [per annum]  
[The definition in Product Condition 1 applies]  
[Specify other]

Interest Rate Day Count Fraction: [Not Applicable]  
[The actual number of days in the relevant period divided by 365  
save that for a portion which any such period falls in a leap year, the  
number of days in such portion shall be divided by 366]  
[The number of days in the relevant period divided by 360 (the  
number of days to be calculated on the basis of a year of 360 days  
with 12 30-day months (unless (i) the last day of the Interest Period  
is the 31st day of a month but the first day of the Interest Period is a  
day other than the 30th or 31st day of a month, in which case the  
month that includes that last day shall not be considered to be  
shortened to a 30-day month, or (ii) the last day of the Interest  
Period is the last day of the month of February, in which case the  
month of February shall not be considered to be lengthened to a 30  
day month))]  
[Specify other]

Issuer Call: [Not Applicable] [Applicable]

Issuer Call Cash Amount: [Not Applicable] [Cash Amount] [*Specify other*]

Issuer Call Commencement Date: [Not Applicable] [*Specify other*]

Issuer Call Date: [Not Applicable] [*Specify other*] [See Issuer notice of call]

Issuer Call Notice Period: [Not Applicable] [*Specify other*]

Maturity Date: [ ]

Participation: [Not Applicable] [*Specify other*]

Relevant Currency: [The definition in Product Condition 1 applies]  
[*Specify other*]

Relevant Number of Trading Days: For the purpose of:  
Issuer Call Date: [8, or in respect of an Emerging Market Disruption Event only, 180]  
Valuation Date: [8, or in respect of an Emerging Market Disruption Event only, 180]  
[Not Applicable]

Settlement Currency: [ ]

Settlement Date: [The definition in Product Condition 1 applies]  
[*Specify other*]

Share Return: [The definition in Product Condition 1 applies]  
[*Specify other*] [Not Applicable]

Share Reference Price: [The definition in Product Condition 1 applies]  
[*Specify other*] [Not Applicable]

Share Final Reference Price: [The definition in Product Condition 1 applies]  
[*Specify other*] [Not Applicable]

Share Initial Reference Price: [The definition in Product Condition 1 applies]  
[*Specify other*] [Not Applicable]

Standard Currency: [The definition in Product Condition 1 applies] [*Specify other*]

Trading Day: [The definition in Product Condition 1 applies] [*Specify other*]

Valuation Date(s): [       ]

Valuation Time: [The close of trading on the relevant Exchange in relation to a Reference Asset where the Fund is an exchange traded fund]  
 [The definition in Product Condition 1 applies]  
 [11.00 hours Central European Time]  
 [*Specify other*]

ISIN: [       ]

Common Code: [       ]

Fondscore: [Not Applicable]  
 [*Specify other*]

Other Securities Code: [Not Applicable]  
 [Symbol:       ]  
 [*Specify other*]

Indication of yield: [   ]  
 [Calculated as [*include details of method of calculation in summary form*] on the Issue Date.] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

Amendments to General Conditions or Product Conditions: [Additional Condition 2.1: Applicable] [Additional Condition 4.1: Applicable] [Not Applicable]  
 [Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have and (vi) other changes which are not materially prejudicial to the interests of the holders of Securities.]

[Specify other]

*(When making any such amendments consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

Amendments to the Offering

[ ]

Procedure for the Securities:

*(When making any such amendments consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

Sales Restriction:

The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended ("**Securities Act**") and the Securities may not be exercised, offered, sold, transferred or delivered within the United States or to, or for the account or benefit of, any U.S. person as defined in Regulation S under the Securities Act. Furthermore, trading in the Securities has not been approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act, as amended and no U.S. person may at any time trade or maintain a position in the Securities.

## INFORMATION ON THE BASKET CONSTITUENT

Performance of Basket Constituent/formula/other variable, explanation of effect on value of investment and associated risks and other information concerning the Basket Constituent:

[Need to include details of where past and future performance and volatility of the Basket Constituent/formula/other variable can be obtained.]

[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the Basket Constituent and the circumstances when the risks are most evident.]

*(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*

Page where information about the past and future performance of the Underlying and its volatility can be obtained:

[ ]

*(Insert the following where the Securities are sold to Italian investors)*

[Website: [ ]]

Italian Newspaper: [ ]

Index disclaimer(s):

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**MULTI-ASSET BASKET LINKED NOTES III**

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Series: *Multi-Asset Basket Linked Notes III due [ ] [Specify other]*

Nominal Amount: [ ] *[If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent)]*

Issue Price: [ ]

Additional Market Disruption [None] *[Specify other]*

Events:

Additional Fund Events: [None] *[Specify other]*

Basket:

<b>["Basket Constituent"</b>	<b>"Weight"</b>	<b>"Share Company"</b>	<b>"Exchange"</b>	<b>"Basket Constituent Currency"</b>
<i>[specify each Basket Constituent and Bloomberg Code]</i>	<i>[Specify % Weight]</i>	<i>[Specify]</i>	<i>[Specify]</i>	<i>[Specify]</i>
	[Not Applicable]	[Not Applicable]	[Not Applicable]	[Not Applicable]

*[first rate]*  
 Screen Page: *[specify]*  
*[repeat as appropriate for other rates] ["FX Rate1"] ["FX Rate2"] ["FX Rate3"] ["FX Rate4"] ["FX Rate5"] ["FX Rate6"]*

*["Certificate1"]*

*["Certificate2"]*

*["Commodity1"]*

*["Commodity2"]*

*["Commodity3"]*

*["Commodity4"]*

*["[Commodity] Index1"]*

*["[Commodity] Index2"]*

["[Commodity] Index3"]

["[Commodity] Index4"]

["[Commodity] Index5"]

["Share1"] ["Share2"]

["Share3"]

["Fund1"] ["Fund2"]

["Fund3"] [Where the Fund is an exchange traded fund, include details of the Reference Asset]

Basket Return: [20% x Index Return + 20% x Certificate Return + 20% x Commodity Return + 20% x FX Rate Return + 20% x Real Estate Index Return]  
[Specify other] [Not Applicable]

Business Day: [The definition in Product Condition 1 applies]  
[Specify other]

Business Day Convention: [Modified Following][Following]

Cash Amount: [[ Nominal Amount x (90% + 100% x Max [0; Basket Return – 0.9] + ((Participation – 100%) x Max [0; Basket Return – 1])) ]  
[Specify other]

Certificate Final Reference Price (CertFRP): [The definition in Product Condition 1 applies]  
[Specify other] [Not Applicable]

Certificate Initial Reference Price (CertIRP): [The definition in Product Condition 1 applies]  
[Specify other] [Not Applicable]

Certificate Reference Price: [The definition in Product Condition 1 applies]  
[Specify other] [Not Applicable]

Certificate Return:  $50\% \times \frac{\text{CertFRP of Commodity1}}{\text{CertIRP of Commodity1}} + 50\% \times \frac{\text{CertFRP of Commodity2}}{\text{CertIRP of Commodity2}}$

[Specify other] [Not Applicable]

Commodity Final Reference Price (CFRP): [The definition in Product Condition 1 applies]  
[Specify other] [Not Applicable]

Commodity Initial Reference Price: [The definition in Product Condition 1 applies]  
[Specify other] [Not Applicable]

Price (CIRP):

Commodity Reference Price: [The definition in Product Condition 1 applies]  
[Specify other] [Not Applicable]

Commodity Return:  $25\% \times \frac{\text{CFRP of Commodity1}}{\text{CIRP of Commodity1}} + 25\% \times \frac{\text{CFRP of Commodity2}}{\text{CIRP of Commodity2}} + 25\% \times \frac{\text{CFRP of Commodity3}}{\text{CIRP of Commodity3}}$   
 $+ 25\% \times \frac{\text{CFRP of Commodity4}}{\text{CIRP of Commodity4}}$

[Specify other] [Not Applicable]

Emerging Market Disruption Events: [As stated in Product Condition 1] [specify other]

Fund Final Reference Price (FFRP): [The definition in Product Condition 1 applies]  
[Specify other] [Not Applicable]

Fund Initial Reference Price (FIRP): [The definition in Product Condition 1 applies]  
[Specify other] [Not Applicable]

Fund Reference Price: [The definition in Product Condition 1 applies]  
[Specify other] [Not Applicable]

Fund Return: [Specify] [Not Applicable]

FX Rate Final Reference Price (FXFRP): [The definition in Product Condition 1 applies]  
[Specify other] [Not Applicable]

FX Rate Initial Reference Price (FXIRP): [The definition in Product Condition 1 applies]  
[Specify other] [Not Applicable]

FX Rate Reference Price: [The definition in Product Condition 1 applies]  
[Specify other] [Not Applicable]

FX Rate Return:  $25\% \times \frac{\text{FXFRP of FX Rate1}}{\text{FXIRP of FX Rate1}} + 25\% \times \frac{\text{FXFRP of FX Rate2}}{\text{FXIRP of FX Rate2}} + 16.67\% \times \frac{\text{FXFRP of FX Rate3}}{\text{FXIRP of FX Rate3}}$   
 $+ 16.67\% \times \frac{\text{FXFRP of FX Rate4}}{\text{FXIRP of FX Rate4}} + 16.66\% \times \frac{\text{FXFRP of FX Rate5}}{\text{FXIRP of FX Rate5}}$   
[Specify other] [Not Applicable]

Index Final Reference Price (IFRP): [The definition in Product Condition 1 applies]  
[Specify other] [Not Applicable]

Index Initial Reference Price (IIRP): [The definition in Product Condition 1 applies]  
[Specify other] [Not Applicable]

Index Reference Price: [The definition in Product Condition 1 applies]  
[Specify other] [Not Applicable]

Index Return:  $25\% \times \frac{\text{IFRP of Index1}}{\text{IIRP of Index1}} + 25\% \times \frac{\text{IFRP of Index2}}{\text{IIRP of Index2}} + 25\% \times \frac{\text{IFRP of Index3}}{\text{IIRP of Index3}} + 25\% \times \frac{\text{IFRP}}{\text{IIRP}}$

Interest: [Specify other] [Not Applicable]  
[Applicable] [Not Applicable]

Interest Payment Dates: [Not Applicable]  
[ ] [and [ ]] in each year up to and including the Maturity Date, with the first Interest Payment Date being [ ] [The definition in Product Condition 1 applies]  
[Specify other]

Interest Period: [As stated in Product Condition 1][specify other][Not Applicable]

Interest Rate: [Not Applicable]  
[[ ] per cent.] [per annum]  
[The definition in Product Condition 1 applies]  
[Specify other]

Interest Rate Day Count Fraction: [Not Applicable]  
[The actual number of days in the relevant period divided by 365 save that for a portion which any such period falls in a leap year, the number of days in such portion shall be divided by 366]  
[The number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31<sup>st</sup> day of a month but the first day of the Interest Period is a day other than the 30<sup>th</sup> or 31<sup>st</sup> day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month)))]  
[Specify other]

Issuer Call: [Not Applicable] [Applicable]

Issuer Call Cash Amount: [Not Applicable] [Cash Amount] [Specify other]

Issuer Call Commencement Date: [Not Applicable] [Specify other]

Issuer Call Date: [Not Applicable] [Specify other] [See Issuer notice of call]

Issuer Call Notice Period: [Not Applicable] [Specify other]

Maturity Date: [ ]

Participation: [Not Applicable] [Specify other]

Real Estate Index Return:  $[100\% \times \frac{\text{IFRP of Index5}}{\text{IIRP of Index5}}]$

Relevant Currency: *[Specify other]* [Not Applicable]  
[As stated in Product Condition 1] *[specify other]*

Relevant Number of Trading Days: For the purpose of:  
Issuer Call Date: [8, or in respect of an Emerging Market Disruption Event only, 180]  
Valuation Date: [8, or in respect of an Emerging Market Disruption Event only, 180]  
[Not Applicable]

Settlement Currency: [ ]

Settlement Date: [The definition in Product Condition 1 applies]  
*[Specify other]*

Share Final Reference Price (SFRP): [The definition in Product Condition 1 applies]  
*[Specify other]* [Not Applicable]

Share Initial Reference Price (SIRP): [The definition in Product Condition 1 applies]  
*[Specify other]* [Not Applicable]

Share Reference Price: [The definition in Product Condition 1 applies]  
*[Specify other]* [Not Applicable]

Share Return: *[Specify]* [Not Applicable]

Standard Currency: [As stated in Product Condition 1] *[specify other]*

Trading Day: [The definition in Product Condition 1 applies]  
*[Specify other]*

Valuation Date(s): [ ]

Valuation Time: [(i) in respect of each Index, Fund, Certificate and Share the definition in Product Condition 1 applies, (ii) in respect of each Commodity [The time of the London [morning] [daily] fixing currently [10:30am] [12:15pm] London time] [The time at which the Exchange publishes the daily closing price] and (iii) in respect of each FX Rate [11.00 hours Central European Time] ]  
[The close of trading on the relevant Exchange in relation to a Reference Asset where the Fund is an exchange traded fund]  
*[Specify other]*

ISIN: [ ]

Common Code: [ ]

Fondscore: [Not Applicable]  
[Specify other]

Other Securities Code: [Not Applicable]  
[Symbol: ]  
[Specify other]

Indication of yield: [ ]  
[Calculated as *[include details of method of calculation in summary form]* on the Issue Date.] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

Amendments to General Conditions or Product Conditions: [Additional Condition 2.1: Applicable] [Additional Condition 4.1: Applicable] [Not Applicable]  
[Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have and (vi) other changes which are not materially prejudicial to the interests of the holders of Securities.] [Specify other]  
*(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

Amendments to the Offering Procedure for the Securities: [ ]  
*(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

Sales Restriction: The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (“**Securities Act**”) and the Securities may not be exercised, offered, sold, transferred or delivered within the United States or to, or for the account or benefit of, any U.S. person as defined in Regulation S under the Securities Act. Furthermore, trading in the Securities has not been approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act, as amended and no U.S. person may at any time trade or maintain a position in the Securities.

## INFORMATION ON THE BASKET CONSTITUENT

Performance of Basket Constituent/formula/ other variable, explanation of effect on value of investment and associated risks and other information concerning the Basket Constituent:

[Need to include details of where past and future performance and volatility of the Basket Constituent/formula/other variable can be obtained.]

[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the Basket Constituent and the circumstances when the risks are most evident.]

*(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*

Page where information about the past and future performance of a Basket Constituent and its volatility can be obtained:

[ ]

*(Insert the following where the Securities are sold to Italian investors)*

[Website: [ ]]

Italian Newspaper: [ ]

[Secondary Market:

(i) Under normal market conditions, the Issuer intends (but is not obliged) to provide a secondary market throughout the term of the Securities with an indicative spread of [specify].[specify other]] *(only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB)*; or

(ii) The Royal Bank of Scotland plc ("**RBS**") will use reasonable endeavours, under normal market conditions and at its discretion, to provide Holders with a bid/offer price for the Securities with a maximum spread of [specify]% on a daily basis and will indicate at the time of providing the quotation how long such quotation will remain actionable, or, in any event, not longer than what the Issuer considers a commercially reasonable time. RBS will not be required to provide a bid/offer price if an event or series of events occurs outside RBS's control (whether or not affecting the market generally) results in (i) the unscheduled closing, (ii) any suspension or (iii) the disruption of any (a) physical or electronic trading system or market affecting the Securities or (b) computer, communications or other service system used by RBS to generate a quotation in respect of the Securities. RBS may determine a bid/offer price in a different manner than other market participants and prices can vary. Sometimes this variance may be substantial. The bid/offer spread will be subject to RBS's discretion. [specify other]] *(only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB)*

Index disclaimer(s):

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**FUND LINKED NOTES**

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Series: *[Fund] Notes due [ ] Series [ ]*

Nominal Amount: *[ ] [If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent)]*

Issue Price: *[ ]*

Additional Fund Events: *[None] [specify]*

Additional Market Disruption Events: *[None] [specify]*

Basket:

<b>“Fund”</b>	<b>“Reference Asset”</b>	<b>“Weight”</b>
:	<i>[ of the Fund ISIN: [ ]]</i>	<i>[Specify percentage weight]] [Not Applicable]</i>
<i>[specify] [Not Applicable]</i>		

Business Day: *[The definition in Product Condition 1 applies] [specify other]*

Business Day Convention: *[Modified Following][Following]*

Cash Amount: *[An amount equal to Nominal Amount \* 100%]  
[specify other]*

Emerging Market Disruption Events: *[The definition in Product Condition 1 applies] [specify other]*

Final Reference Price: *[The definition in Product Condition 1 applies] [specify other]*

Fund: *[Specify] [Bloomberg Code [ ]][See Basket]*

Initial Reference Price: *[ ]*

Interest: *[Applicable] [Not Applicable]*

Interest Payment Dates: *[[ ] [and [ ]] in each year up to and including the Maturity Date, with the first Interest Payment Date being [ ] [Not Applicable] [specify other]*

Interest Period: *[As stated in Product Condition 1][specify other][Not Applicable]*

Interest Rate: *[[ ] per cent.] [per annum] [Not Applicable] [specify*

Interest Rate Day Count Fraction:	<i>other</i> [The actual number of days in the relevant period divided by 365 save that for a portion which any such period falls in a leap year, the number of days in such portion shall be divided by 366]  [The number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31 <sup>st</sup> day of a month but the first day of the Interest Period is a day other than the 30 <sup>th</sup> or 31 <sup>st</sup> day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month))]
Issuer Call:	[ <i>specify other</i> ] [Not Applicable] [Applicable] [Not Applicable]
Issuer Call Cash Amount:	[Cash Amount] [ <i>specify other</i> ] [Not Applicable]
Issuer Call Commencement Date:	[ ] [Not Applicable]
Issuer Call Date:	[ <i>specify</i> ] [See Issuer notice of call]
Issuer Call Notice Period:	[ ] [Not Applicable]
Maturity Date:	[ ]
Reference Asset:	[ [ ] of the Fund (ISIN: [ ]) ] [see Basket] [ <i>specify other</i> ]
Reference Banks:	[The principal London office of five leading dealers in the London interbank market which ordinarily provide quotations for the relevant Underlying Rate, if applicable, or any other rate requested by the Calculation Agent pursuant to Product Condition 4, as selected by the Issuer in its absolute discretion] [ <i>specify other</i> ]
Relevant Currency:	[The definition in Product Condition 1 applies] [ <i>specify other</i> ]
Relevant Number of Trading Days:	Issuer Call Date: [8, or in respect of an Emerging Market Disruption Event only, 180]  Underlying Rate: [8, or in respect of an Emerging Market Disruption Event only, 180]  Valuation Date: [8, or in respect of an Emerging Market

Disruption Event only, 180]

Standard Currency: [The definition in Product Condition 1 applies] [*specify other*]

Underlying Rate(s): [*first rate*]  
Screen Page: [*specify*]  
[*repeat as appropriate for other rates*]

Underlying Rate Valuation Date(s): [ ] [or if such day is not a Business Day, the next succeeding Business Day]

Settlement Currency: [ ]

Settlement Date: [The definition in Product Condition 1 applies] [*specify other*]

Trading Day: [The definition in Product Condition 1 applies] [*specify other*]

Valuation Date(s): [ ]

Valuation Time: [11.00 hours Central European Time] [*specify other*]  
[The close of trading on the relevant Exchange in relation to a Reference Asset where the Fund is an exchange traded fund]

ISIN: [ ]

Common Code: [ ]

Fondscore: [ ]

Other Securities Code: [ ] [*Symbol:*  ]

Indication of yield: [ ]  
[Calculated as [*include details of method of calculation in summary form*] on the Issue Date.] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

Amendments to General Conditions or Product Conditions: [Additional Condition 2.1: Applicable] [Additional Condition 4.1: Applicable] [Not Applicable]  
[Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer

and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have and (vi) other changes which are not materially prejudicial to the interests of the holders of Securities.] *(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

Amendments to the Offering Procedure for the Securities:

[ ]

*(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

Sales Restriction:

The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (“**Securities Act**”) and the Securities may not be exercised, offered, sold, transferred or delivered within the United States or to, or for the account or benefit of, any U.S. person as defined in Regulation S under the Securities Act. Furthermore, trading in the Securities has not been approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act, as amended and no U.S. person may at any time trade or maintain a position in the Securities.

## INFORMATION ON THE UNDERLYING

Performance of Underlying/formula/ other variable, explanation of effect on value of investment and associated risks and other information concerning the Underlying:

[Need to include details of where past and future performance and volatility of the Underlying/formula/other variable can be obtained.]

[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the Underlying and the circumstances when the risks are most evident.]

*(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*

Page where information about the past and future performance of the Underlying and its volatility can be obtained:

[ ]

*(Insert the following where the Securities are sold to Italian investors)*

[Website: [ ]]

Italian Newspaper: [ ]

[Secondary Market:

(i) Under normal market conditions, the Issuer intends (but is not obliged) to provide a secondary market throughout the term of the Securities with an indicative spread of *[specify].[specify other]* (only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB); or

(ii) The Royal Bank of Scotland plc ("**RBS**") will use reasonable endeavours, under normal market conditions and at its discretion, to provide Holders with a bid/offer price for the Securities with a maximum spread of *[specify]*% on a daily basis and will indicate at the time of providing the quotation how long such quotation will remain actionable, or, in any event, not longer than what the Issuer considers a commercially reasonable time. RBS will not be required to provide a bid/offer price if an event or series of events occurs outside RBS's control (whether or not affecting the market generally) results in (i) the unscheduled closing, (ii) any suspension or (iii) the disruption of any (a) physical or electronic trading system or market affecting the Securities or (b) computer, communications or other service system used by RBS to generate a quotation in respect of the Securities. RBS may determine a bid/offer price in a different manner than other market participants and prices can vary. Sometimes this variance may be substantial. The bid/offer spread will be subject to RBS's discretion. *[specify other]* (only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB)]

Series:

*[Index] Notes due [ ] Series [ ]*

*[repeat as above for each new Series]*

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**BASKET RELATED CAPITAL PROTECTED NOTES**

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Series: *Basket Related Capital Protected Notes due [ ] Series [ ]*

Nominal Amount: [ ] *[If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent)]*

Issue Price: [ ]

Additional Market Disruption Events: [None] *[specify]*

Basket: The Basket shall be comprised of the following components:

<b>["Index Component"]</b>	<b>["Weight"]</b>	
<i>[specify]</i> [Commodity] Index (" <b>Index A</b> ") (Bloomberg: <i>[specify]</i> )	<i>[specify]</i> %	
<i>[specify]</i> [Commodity] Index (" <b>Index B</b> ") (Bloomberg: <i>[specify]</i> )	<i>[specify]</i> %	
<b>["Real Estate Index Component"]</b>	<b>["Weight"]</b>	
<i>[specify]</i> (" <b>Index C</b> ") (Bloomberg: <i>[specify]</i> )	<i>[specify]</i> %	
<i>[specify]</i> (" <b>Index D</b> ") (Bloomberg: <i>[specify]</i> )	<i>[specify]</i> %	
<b>["Bond Index Component"]</b>	<b>["Weight"]</b>	
<i>[specify]</i> (" <b>Index E</b> ") (Bloomberg: <i>[specify]</i> )	<i>[specify]</i> %	
<i>[specify]</i> (" <b>Index F</b> ") (Bloomberg: <i>[specify]</i> )	<i>[specify]</i> %	
<b>["Commodity Component"]</b>	<b>["Exchange"]</b>	<b>["Weight"]</b>
<i>[specify]</i> (" <b>Commodity A</b> ") (Bloomberg: <i>[specify]</i> )	<i>[specify]</i>	<i>[specify]</i> %
<i>[specify]</i> (" <b>Commodity B</b> ") (Bloomberg: <i>[specify]</i> )	<i>[specify]</i>	<i>[specify]</i> %
Bond Index Component Performance:	<i>[specify]</i> [Not Applicable]	
Business Day:	[The definition in Product Condition 1 applies] <i>[specify other]</i>	
Business Day Convention:	[Modified Following][Following]	
Cash Amount:	[Nominal Amount * 100%] <i>[specify other]</i>	
Commodity Component Performance:	<i>[specify]</i> [Not Applicable]	
Commodity Reference Price:	[The definition in Product Condition 1 applies] <i>[specify other]</i> [Not Applicable]	

Emerging Market Disruption Events: [The definition in Product Condition 1 applies] [specify other]

Index Component Performance: [*specify*] [Not Applicable]

Index Reference Price: [The definition in Product Condition 1 applies] [*specify other*] [Not Applicable]

Initial Commodity Reference Price: [The definition in Product Condition 1 applies] [*specify other*] [Not Applicable]

Initial Index Reference Price: [The definition in Product Condition 1 applies] [*specify other*] [Not Applicable]

Interest: [Applicable] [Not Applicable]

Interest Payment Dates: [[ ] [and [ ]] in each year up to and including the Maturity Date, with the first Interest Payment Date being [ ]] [Not Applicable] [*specify other*]

Interest Period: [As stated in Product Condition 1][*specify other*][Not Applicable]

Interest Rate: [In respect of the [*specify*] Interest Period[s]][[ ] per cent.] [per annum] [*specify other*] [Not Applicable]

[In respect of the [*specify*] Interest Period[s]], an Interest Amount determined by the Calculation Agent as follows:

The greater of:

- (i) zero; and
- (ii)  $(([ ] \% \times \text{Index Component Performance}) + ([ ] \% \times \text{Real Estate Index Component Performance}) + ([ ] \% \times \text{Bond Index Component Performance}) + ([ ] \% \times \text{Commodity Component Performance}))$  minus 1; and
- (iii)  $(([ ] \% \times \text{Index Component Performance}) + ([ ] \% \times \text{Real Estate Index Component Performance}) + ([ ] \% \times \text{Bond Index Component Performance}) + ([ ] \% \times \text{Commodity Component Performance}))$  minus 1; and
- (iv)  $(([ ] \% \times \text{Index Component Performance}) + ([ ] \% \times \text{Real Estate Index Component Performance}) + ([ ] \% \times \text{Bond Index Component Performance}) + ([ ] \% \times \text{Commodity Component Performance}))$  minus 1]

Interest Rate Day Count Fraction: [In respect of the [*specify*] Interest Period[s]]

[Interest required to be calculated in respect of a period of less than a full [year], shall be calculated on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the “Accrual Date”) to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date]

[The actual number of days in the relevant period divided by 365 save that for a portion which any such period falls in a leap year, the number of days in such portion shall be divided by

366]

[The number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month))]

[specify other] [Not Applicable]

Interim Cash Settlement Amount:

[Applicable] [An amount calculated in accordance with the following formula:

Nominal Amount x {the greater of:

- (i) zero; or
- (ii)  $(([\ ]\% \times \text{Index Component Performance}) + ([\ ]\% \times \text{Real Estate Index Component Performance}) + ([\ ]\% \times \text{Bond Index Component Performance}) + ([\ ]\% \times \text{Commodity Component Performance}))$  minus 1; or
- (iii)  $(([\ ]\% \times \text{Index Component Performance}) + ([\ ]\% \times \text{Real Estate Index Component Performance}) + ([\ ]\% \times \text{Bond Index Component Performance}) + ([\ ]\% \times \text{Commodity Component Performance}))$  minus 1; or
- (iv)  $(([\ ]\% \times \text{Index Component Performance}) + ([\ ]\% \times \text{Real Estate Index Component Performance}) + ([\ ]\% \times \text{Bond Index Component Performance}) + ([\ ]\% \times \text{Commodity Component Performance}))$  minus 1}]

[specify other]

[Not Applicable]

Interim Cash Settlement Amount  
Payment Date:

[The definition in Product Condition 1 applies] [specify date]  
[Not Applicable]

Interim Cash Settlement Amount  
Valuation Date:

[specify date] [Valuation Date occurring on [ ] ] [Not Applicable]

Issuer Call:

[Applicable] [Not Applicable]

Issuer Call Cash Amount:

[Cash Amount] [specify other] [Not Applicable]

Issuer Call Commencement Date:

[ ] [Not Applicable]

Issuer Call Date:

[specify] [See Issuer notice of call]

Issuer Call Notice Period:

[ ] [Not Applicable]

Maturity Date:

[ ]

Pricing Date: [ ]

Real Estate Index Component *[specify]* [Not Applicable]  
Performance:

Relevant Currency: [The definition in Product Condition 1 applies] *[specify other]*

Relevant Number of Trading Days: Valuation Date: [8, or in respect of an Emerging Market Disruption Event only, 180]  
Interim Cash Settlement Amount Valuation Date: [8, or in respect of an Emerging Market Disruption Event only, 180]  
Issuer Call Date: [8, or in respect of an Emerging Market Disruption Event only, 180]

Settlement Currency: [ ]

Settlement Date: [The Maturity Date [or if later the third Business Day following the final Valuation Date *specify other*]

Standard Currency: [The definition in Product Condition 1 applies] *[specify other]*

Trading Day: [The definition in Product Condition 1 applies] *[specify other]*

Valuation Date(s): [ ]

Valuation Time: [The definition in Product Condition 1 applies] *[specify other]*

ISIN: [ ]

Common Code: [ ]

Fonds Code: [ ]

Other Securities Code: [ ] *[Symbol: ]*

Indication of yield: [ ]  
[Calculated as *[include details of method of calculation in summary form]* on the Issue Date.] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

Amendments to General Conditions or Product Conditions: [Additional Condition 2.1: Applicable] [Additional Condition 4.1: Applicable] [Not Applicable]  
[Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have and (vi) other changes

which are not materially prejudicial to the interests of the holders of Securities.] *(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

Amendments to the Offering Procedure for the Securities: [ ]

*(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

Sales Restriction:

The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (“**Securities Act**”) and the Securities may not be exercised, offered, sold, transferred or delivered within the United States or to, or for the account or benefit of, any U.S. person as defined in Regulation S under the Securities Act. Furthermore, trading in the Securities has not been approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act, as amended and no U.S. person may at any time trade or maintain a position in the Securities.

## INFORMATION ON THE UNDERLYING

Performance of Underlying/formula/ other variable, explanation of effect on value of investment and associated risks and other information concerning the Underlying:

[Need to include details of where past and future performance and volatility of the Underlying/formula/other variable can be obtained.]

[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the Underlying and the circumstances when the risks are most evident.]

*(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*

Page(s) where information about the past and future performance of the Underlying and its volatility can be obtained:

[ ]

*(Insert the following where the Securities are sold to Italian investors)*

[Website: [ ]]

Italian Newspaper: [ ]

[Secondary Market:

(i) Under normal market conditions, the Issuer intends (but is not obliged) to provide a secondary market throughout the term of the Securities with an indicative spread of [specify].[specify other]] *(only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB); or*

(ii) The Royal Bank of Scotland plc ("**RBS**") will use reasonable endeavours, under normal market conditions and at its discretion, to provide Holders with a bid/offer price for the Securities with a maximum spread of [*specify*]% on a daily basis and will indicate at the time of providing the quotation how long such quotation will remain actionable, or, in any event, not longer than what the Issuer considers a commercially reasonable time. RBS will not be required to provide a bid/offer price if an event or series of events occurs outside RBS's control (whether or not affecting the market generally) results in (i) the unscheduled closing, (ii) any suspension or (iii) the disruption of any (a) physical or electronic trading system or market affecting the Securities or (b) computer, communications or other service system used by RBS to generate a quotation in respect of the Securities. RBS may determine a bid/offer price in a different manner than other market participants and prices can vary. Sometimes this variance may be substantial. The bid/offer spread will be subject to RBS's discretion. [*specify other*] (*only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB*)]

Series:

*Basket related capital protected*] Notes due [ ] Series [ ]

*[repeat as above for each new Series]*

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**COMMODITY NOTES**

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Series: *[Commodity] Notes due [ ] Series [ ]*

Nominal Amount: *[ ] [If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent)]*

Issue Price: *[ ]*

Additional Market Disruption Events: *[None] [specify]*

Basket:

<b>[“Commodity”</b>	<b>“Exchange”</b>	<b>“Weight”</b>
<i>[specify each Commodity and Bloomberg/Reuters Code]</i>	<i>[Specify]</i> <i>[Not Applicable]</i>	<i>[specify]</i>

Business Day: *[The definition in Product Condition 1 applies] [specify other]*

Business Day Convention: *[Modified Following][Following]*

Cash Amount: *[Nominal Amount x (100% + Participation x Max [0, Commodity Performance])]*  
*[specify other]*

Commodity: *[ ] [See Basket]*

Commodity Performance: *[The definition in Product Condition 1 applies] [specify other] [Not Applicable]*

Emerging Market Disruption Events: *[The definition in Product Condition 1 applies] [specify other]*

Exchange: *[ ] [See Basket]*

Exchange Rate: *[The definition in Product Condition 1 applies] [specify other] [Not Applicable]*

Final Reference Price: *[The definition in Product Condition 1 applies] [specify other] [Not Applicable]*

Initial Reference Price: *[The definition in Product Condition 1 applies] [specify*

*other*] [Not Applicable]

Interest: [Applicable] [Not Applicable]

Interest Payment Dates: [[ ] [and [ ]] in each year up to and including the Maturity Date, with the first Interest Payment Date being [ ] [Not Applicable] [*specify other*]

Interest Period: [As stated in Product Condition 1][*specify other*][Not Applicable]

Interest Rate: [[ ] per cent. per annum] [Not Applicable] [*specify other*]

Interest Rate Day Count Fraction: [The actual number of days in the relevant period divided by 365 save that for a portion which any such period falls in a leap year, the number of days in such portion shall be divided by 366]

[The number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31<sup>st</sup> day of a month but the first day of the Interest Period is a day other than the 30<sup>th</sup> or 31<sup>st</sup> day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month))]

[*specify other*] [Not Applicable]

Issuer Call: [Applicable] [Not Applicable]

Issuer Call Cash Amount: [Cash Amount] [*specify other*] [Not Applicable]

Issuer Call Commencement Date: [ ] [Not Applicable]

Issuer Call Date: [*specify*] [See Issuer notice of call]

Issuer Call Notice Period: [ ] [Not Applicable]

Maturity Date: [ ]

Participation: [ ]

Relevant Currency: [The definition in Product Condition 1 applies] [*specify other*]

Relevant Number of Business Days: [ ]

Relevant Number of Trading Days: [8, or in respect of an Emerging Market Disruption Event only, 180]

Settlement Currency: [ ]

Settlement Date: [The definition in Product Condition 1 applies][*specify other*]

Standard Currency: [The definition in Product Condition 1 applies] [*specify other*]

Underlying Currency: [ ]

Valuation Date(s): [ ]

Valuation Time: [The time of the London [morning] [daily] fixing currently [10:30am] [12:15pm] London time]

[The time at which the Exchange publishes the daily closing price]

[*specify other*] [Not Applicable]

ISIN: [ ]

Common Code: [ ]

Fondscore: [ ]

Other Securities Code: [ ] [*Symbol:* ]

Indication of yield: [ ]

[Calculated as [*include details of method of calculation in summary form*] on the Issue Date.] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

Amendments to General Conditions or Product Conditions: [Additional Condition 2.1: Applicable] [Additional Condition 4.1: Applicable] [Not Applicable]

[Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have and (vi) other changes which are not materially prejudicial to the interests of the holders of Securities.] (*When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus*)

*under Article 16 of the Prospectus Directive)*

Amendments to the Offering Procedure for the Securities:

[ ]

*(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

Sales Restriction:

The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (“**Securities Act**”) and the Securities may not be exercised, offered, sold, transferred or delivered within the United States or to, or for the account or benefit of, any U.S. person as defined in Regulation S under the Securities Act. Furthermore, trading in the Securities has not been approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act, as amended and no U.S. person may at any time trade or maintain a position in the Securities.

## INFORMATION ON THE UNDERLYING

Performance of Underlying/formula/ other variable, explanation of effect on value of investment and associated risks and other information concerning the Underlying:

[Need to include details of where past and future performance and volatility of the Underlying/formula/other variable can be obtained.]

[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the Underlying and the circumstances when the risks are most evident.]

*(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*

Page where information about the past and future performance of the Underlying and its volatility can be obtained:

[ ]

*(Insert the following where the Securities are sold to Italian investors)*

[Website: [ ]]

Italian Newspaper: [ ]

[Secondary Market:

(i) Under normal market conditions, the Issuer intends (but is not obliged) to provide a secondary market throughout the term of the Securities with an indicative spread of [specify].[specify other]] *(only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB)*; or

(ii) The Royal Bank of Scotland plc ("**RBS**") will use reasonable endeavours, under normal market

conditions and at its discretion, to provide Holders with a bid/offer price for the Securities with a maximum spread of *[specify]*% on a daily basis and will indicate at the time of providing the quotation how long such quotation will remain actionable, or, in any event, not longer than what the Issuer considers a commercially reasonable time. RBS will not be required to provide a bid/offer price if an event or series of events occurs outside RBS's control (whether or not affecting the market generally) results in (i) the unscheduled closing, (ii) any suspension or (iii) the disruption of any (a) physical or electronic trading system or market affecting the Securities or (b) computer, communications or other service system used by RBS to generate a quotation in respect of the Securities. RBS may determine a bid/offer price in a different manner than other market participants and prices can vary. Sometimes this variance may be substantial. The bid/offer spread will be subject to RBS's discretion. *[specify other]* (only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB)

Series:

*[Commodity] Notes due [ ] Series [ ]*

*[repeat as above for each new Series]*

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**INDEX AND INFLATION INDEX NOTES**

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Series: *[Index and Inflation Index] Notes due [ ] Series [ ]*

Nominal Amount: [ ] *[If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent)]*

Issue Price: [ ]

Additional Market Disruption Events: [None][specify]

Basket: [Applicable] [Not Applicable]

<b>Index</b>	<b>Inflation Index</b>	<b>Bloomberg Code</b>
[specify]	[specify]	[specify]

Business Day: [The definition in Product Condition 1 applies] *[specify other]*

Business Day Convention: [Modified Following][Following]

Cash Amount: [Nominal Amount x 100%] *[specify other]*

Emerging Market Disruption Events: [As stated in Product Condition 1] *[specify other]*

Final Reference Price: [The definition in Product Condition 1 applies] *[specify other]*

[Commodity]Index: [[ ] (Bloomberg Code: [ ])] [See Basket] [Not Applicable]

Index Final Reference Price: [As stated in Product Condition 1] *[specify other]*

Index Initial Reference Price: [As stated in Product Condition 1] *[specify other]*

Inflation Index: *[[Inflation Index] published on a [monthly] [other] basis by the [ ], as displayed on Bloomberg ‘[ ] <Index>’ (or such other page as may replace that page, or such other information service as may be selected by the Calculation Agent, acting in its sole and absolute discretion, for the purpose of displaying the Inflation Index)] [specify other]]*

Inflation Index Final Reference Price: [As stated in Product Condition 1] *[specify other]*

Interest: [Applicable][Not Applicable]

Interest Amount: [Nominal Amount x Interest Rate x Interest Rate Day Count Fraction] *[specify other]*

Interest Payment Dates: [[ ] in each year up to and including the Maturity Date, with the first Interest Payment Date being [ ] [Not Applicable] [*specify other*]

Interest Period: [As stated in Product Condition 1][*specify other*][Not Applicable]

Interest Rate: [(i) If (Index Final Reference Price/Index Initial Reference Price) is greater than (CPTFEMU<sub>t</sub>/CPTFEMU<sub>0</sub>):

$$3.25\% + \text{Max} \left[ 0, \left( \frac{\text{CPTFEMU}_t}{\text{CPTFEMU}_{t-1}} \right) - 1 \right]; \text{ otherwise}$$

$$(ii) \text{Max} \left[ 0, \left( \frac{\text{CPTFEMU}_t}{\text{CPTFEMU}_{t-1}} \right) - 1 \right]$$

Where:

CPTFEMU<sub>0</sub> is the Inflation Index Final Reference Price for the Valuation Month in the year [ ];

CPTFEMU<sub>t</sub> is the Inflation Index Final Reference Price for the Valuation Month in the same year as the relevant Interest Payment Date;

CPTFEMU<sub>t-1</sub> is the Inflation Index Final Reference Price for the Valuation Month in the year immediately preceding the year in which the relevant Interest Payment Date falls]

[For example] [*specify example*]

Interest Rate Day Count Fraction: [The actual number of days in the relevant period divided by 365 save that for a portion which any such period falls in a leap year, the number of days in such portion shall be divided by 366]

[The number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month))]

[*Specify Other*][Not Applicable]

Maturity Date: [ ]

Pricing Date(s): [ ]

Relevant Currency: [As stated in Product Condition 1] [*specify other*]

Relevant Number of Months: [2] [*specify other*]

Relevant Number of Trading Days: 8, or in respect of an Emerging Market Disruption Event only, 180]

Settlement Currency: [ ]

Settlement Date: [The definition in Product Condition 1 applies][*specify other*]

Standard Currency: [As stated in Product Condition 1] [*specify other*]

Underlying Currency: [ ]

Valuation Date(s): [ ]

Valuation Month(s): [ ]

ISIN: [ ]

Common Code: [ ]

Fondscore: [ ]

Other Securities Code: [ ] [*Symbol:* ]

Indication of yield: [ ]  
 [Calculated as [*include details of method of calculation in summary form*] on the Issue Date.] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

Amendments to General Conditions or Product Conditions: [ ]  
 [Additional Condition 2.1: Applicable] [Additional Condition 4.1: Applicable] [Not Applicable]  
 [Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have and (vi) other changes which are not materially prejudicial to the interests of the holders of Securities.]  
*(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

Amendments to the Offering Procedure for the Securities: [ ]  
*(When making any such amendments consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

Sales Restriction: The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (“**Securities Act**”) and the Securities may not be exercised, offered, sold, transferred or

delivered within the United States or to, or for the account or benefit of, any U.S. person as defined in Regulation S under the Securities Act. Furthermore, trading in the Securities has not been approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act, as amended and no U.S. person may at any time trade or maintain a position in the Securities.

## INFORMATION ON THE UNDERLYING

Performance of Underlying/formula/ other variable, explanation of effect on value of investment and associated risks and other information concerning the Underlying: [Need to include details of where past and future performance and volatility of the Underlying/formula/other variable can be obtained.]

[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the Underlying and the circumstances when the risks are most evident.]

*(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*

Page where information about the past and future performance of the Underlying and its volatility can be obtained:

[ ]

*(Insert the following where the Securities are sold to Italian investors)*

[Website: [ ]]

Italian Newspaper: [ ]

[Secondary Market:

(i) Under normal market conditions, the Issuer intends (but is not obliged) to provide a secondary market throughout the term of the Securities with an indicative spread of [specify].[specify other]] *(only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB)*; or

(ii) The Royal Bank of Scotland plc ("**RBS**") will use reasonable endeavours, under normal market conditions and at its discretion, to provide Holders with a bid/offer price for the Securities with a maximum spread of [specify]% on a daily basis and will indicate at the time of providing the quotation how long such quotation will remain actionable, or, in any event, not longer than what the Issuer considers a commercially reasonable time. RBS will not be required to provide a bid/offer price if an event or series of events occurs outside RBS's control (whether or not affecting the market generally) results in (i) the unscheduled closing, (ii) any suspension or (iii) the disruption of any (a) physical or electronic trading system or market affecting the Securities or (b) computer, communications or other

service system used by RBS to generate a quotation in respect of the Securities. RBS may determine a bid/offer price in a different manner than other market participants and prices can vary. Sometimes this variance may be substantial. The bid/offer spread will be subject to RBS's discretion. *[specify other]* (only applicable for Securities clearing via Euroclear Finland and Euroclear Sweden AB)

Series:

*[Index and Inflation Index] Notes due [ ] Series [ ]*

*[repeat as above for each new Series]*

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## ADDITIONAL INFORMATION

The statements herein regarding taxation are based on the laws in force in Italy as at the date of this Final Terms and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Securities and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective investors are advised to consult their own tax advisers concerning the overall tax consequences of their interest in the Securities.

[This summary does not describe the tax consequences for an investor with respect to Securities that will be redeemed by physical delivery. Prospective investors are advised to consult their own tax advisers concerning the overall tax consequences under Italian tax law, under the tax laws of the country in which they are resident for tax purposes and of any other potentially relevant jurisdiction of acquiring, holding and disposing of Securities and receiving payments of yield, principal and/or other amounts under the Securities, including in particular the effect of any state, regional or local tax laws.]<sup>2</sup>

In accordance with the Italian tax regime currently in force, where the Italian resident Holder is (i) an individual not engaged in an entrepreneurial activity to which the Securities are connected, (ii) a non-commercial partnership with the exception of general partnership, limited partnership and similar entities, (iii) a non-commercial private or public institution, or (iv) an investor exempt from Italian corporate interest, premium and other income accrued during the relevant holding period are subject to a 20 per cent substitute tax (*imposta sostitutiva*) (20 per cent for interest, premium and other income accrued as of or following 1 January 2012) pursuant to the legislative decree 1 April 1996 n. 239.

Where an Italian resident Holder is a company or similar commercial entity, or the Italian permanent establishment of a foreign commercial entity to which the Securities are effectively connected, interest, premium and other income arising from the Securities will not be subject to *imposta sostitutiva*, but must be included in the relevant Holder's income tax return and are therefore subject to Italian corporate tax.

No Italian *imposta sostitutiva* is applied on payments to a non-Italian resident Holder of interest or premium relating to the Securities provided that, if the Securities are held in Italy, the non Italian resident Holder declares itself to be a non-Italian resident according to Italian tax regulations.

Any capital gains realised by Holders included in the above (i) to (iv) from the sale of the Securities are subject to a substitutive tax (*imposta sostitutiva*) applied at a rate of 20 per cent. pursuant to the legislative

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<sup>2</sup> Include for physically settled notes only

decreed 21 November 1997 n. 461 as amended from time to time.

Particular provisions apply to Securities held or managed by a qualified intermediary; the recipient may opt for two different tax regimes: (1) under the "*risparmio amministrato*" regime, Italian resident individuals holding the Securities not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on each capital gain realised on the Securities; (2) under the "*risparmio gestito*" regime any capital gains realised or accrued by the Italian resident individuals holding the Securities not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Securities, will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 20 per cent. substitute tax, to be paid by the managing authorised intermediary.

Under some conditions and limitations, Holders may set off capital losses (decrease in value for the *risparmio gestito* regime) with capital gains (increase in value for the *risparmio gestito* regime). Capital losses realised (decrease in value accrued for the *risparmio gestito* regime) before 1 January 2012 may be carried forward to be offset against subsequent capital gains (increase in value accrued for the *risparmio gestito* regime) of the same nature for an overall amount of 62.5 per cent. of the relevant capital losses.

Where an Italian resident Holder is a company or similar commercial entity, or the Italian permanent establishment of a foreign commercial entity to which the Securities are effectively connected, capital gains arising from the Securities will not be subject to *imposta sostitutiva*, but must be included in the relevant Holder's income tax return and are therefore subject to Italian corporate tax.

Capital gains realised by non-Italian resident Holders from the sale, early redemption or redemption of the Securities are not subject to Italian taxation, provided that the Securities (i) are transferred on regulated markets, or (ii) if not transferred on regulated markets, are held outside Italy.

#### *Stamp duty*

Pursuant to Article 19(1) of Decree No. 201 of 6 December 2011 ("Decree 201"), a proportional stamp duty applies on an annual basis to the periodic reporting communications sent by financial intermediaries to their clients for the Securities deposited therewith. The stamp duty applies at a rate of 0.1 per cent. for year 2012 and at 0.15 per cent. for subsequent years; this stamp duty is determined on the basis of the market value or – if no market value figure is available – the nominal value or redemption amount of the Securities held. The stamp duty can be no lower than € 34.20 and, for the year 2012 only, it cannot exceed € 1,200. Although the stamp duty is already applicable, certain aspects of the relevant discipline should be clarified and implemented by a Decree of the Ministry of Economy and Finance. Under a preliminary interpretation of the law, it may be understood that the stamp duty applies both to Italian resident and non-Italian resident Holders, to the extent that the Securities are held with an Italian-based financial intermediary.

#### *Wealth Tax on securities deposited abroad*

Pursuant to Article 19(18) of Decree 201, Italian resident individuals holding the Securities outside the Italian territory are required to pay an additional tax at a rate of 0.1 per cent. for 2011 and 2012, and at 0.15 per cent. for subsequent years. This tax is calculated on the market value of the Securities at the end of the relevant year or – if no market value figure is available – the nominal value or the redemption value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due). Although the wealth tax is already applicable, certain aspects of the relevant discipline should be clarified and implemented by a Decree of the Ministry of Economy and Finance.

*[The following shall be applicable to all Final Terms.]*

## **RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in the Base Prospectus, as completed and/or amended by these Final Terms. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. Material changes since the date of the Base Prospectus will trigger the need for a supplement under Article 16 of Directive 2003/71/EC which will be filed with the AFM.

[The information relating to the Underlying has been extracted from external sources. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the external sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.]



*[(Insert the following where the Securities are sold to Italian investors)]*

#### **FURTHER ADDITIONAL INFORMATION**

- (i) Name of relevant third party distributor/s: The Securities shall be placed/offered in Italy through *[insert distributor name]* on behalf of The Royal Bank of Scotland Group plc (the "**Responsabile del Collocamento**") and through any other bank which The Royal Bank of Scotland Group plc might appoint and indicate on the website [www.rbsbank.it/markets](http://www.rbsbank.it/markets).
- (ii) Pursuant to applicable laws and regulations, any potential conflict of interest of the third party distributor shall be immediately brought to the attention of prospective purchasers by the third party distributor referred to above.
- (iii) Minimum trading size: *[1 Security][specify other]*.
- (iv) The Issue Price may be subdivided, from a financial viewpoint, in the component shown here below, as referred to at *[insert relevant date]*. *[During the Subscription Period] [Before the Issue Date]* the value of such components might change as a consequence of variations in the market conditions, save that (i) the Issue Price will in all cases be equal to *[insert issue price]* including the fees shown here below and (ii) the below placement fee will in all cases be fixed up to a maximum value of *[insert percentage]* of the Issue Price:

Issue Price: *[insert issue price]*

Value of the derivative component: *[insert percentage of issue price]*

Structuring fees: *[insert percentage of issue price]*

Placement fees: *[insert percentage of issue price]*