

LAUNCHPAD PROGRAMME

**BASE PROSPECTUS RELATING TO ACTIVE INVESTMENT STRATEGY (AUTOPILOT)
WARRANTS**

DATED: 29 JUNE 2012



The Royal Bank of Scotland plc

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

BASE PROSPECTUS RELATING TO
ACTIVE INVESTMENT STRATEGY (AUTOPILOT) WARRANTS

THE ROYAL BANK OF SCOTLAND PLC

LAUNCHPAD PROGRAMME

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. 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.

THE SECURITIES DO NOT CONSTITUTE UNITS OF COLLECTIVE INVESTMENT SCHEMES WITHIN THE MEANING OF THE SWISS

FEDERAL ACT ON COLLECTIVE INVESTMENT SCHEMES (“CISA”) AND ARE NOT SUBJECT TO THE APPROVAL OF, OR SUPERVISION BY THE SWISS FINANCIAL MARKET SUPERVISORY AUTHORITY (“FINMA”). HOLDERS OF THE SECURITIES ARE EXPOSED TO THE CREDIT RISK OF THE ISSUER.

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 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.

THE DISTRIBUTION OF THIS DOCUMENT AND THE OFFERING, SALE AND DELIVERY OF THE SECURITIES IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. PERSONS INTO WHOSE POSSESSION THIS DOCUMENT COMES ARE REQUIRED BY THE ISSUER TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, ANY SUCH RESTRICTIONS. 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.

NO PERSON HAS BEEN AUTHORISED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS BASE PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ISSUER OR ANY DEALER.

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.

THIS BASE PROSPECTUS IS TO BE READ IN CONJUNCTION WITH ALL DOCUMENTS THAT ARE DEEMED TO BE

INCORPORATED HEREIN BY REFERENCE AND SHALL BE READ AND CONSTRUED ON THE BASIS THAT SUCH DOCUMENTS ARE INCORPORATED IN AND FORM PART OF THE BASE PROSPECTUS.

THE ISSUER DOES NOT REPRESENT THAT THIS DOCUMENT MAY BE LAWFULLY DISTRIBUTED, OR THAT SECURITIES MAY BE LAWFULLY OFFERED, IN COMPLIANCE WITH ANY APPLICABLE REGISTRATION OR OTHER REQUIREMENTS IN ANY JURISDICTION, OR PURSUANT TO AN EXEMPTION AVAILABLE THEREUNDER, OR ASSUME ANY RESPONSIBILITY FOR FACILITATING ANY SUCH DISTRIBUTION OR OFFERING. IN PARTICULAR, NO REPRESENTATION IS MADE BY THE ISSUER, 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.

THIS BASE PROSPECTUS MAY BE FILED WITH THE SIX SWISS EXCHANGE LTD AND APPLICATION MAY BE MADE TO LIST THE SECURITIES UNDER THE PROGRAMME ON THE SIX SWISS EXCHANGE LTD. IN RESPECT OF SECURITIES TO BE LISTED ON THE SIX SWISS EXCHANGE LTD, THE PROGRAMME, TOGETHER WITH THE FINAL TERMS, WILL CONSTITUTE THE LISTING PROSPECTUS PURSUANT TO THE LISTING RULES OF THE SIX SWISS EXCHANGE LTD.

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.

CONTENTS PAGE

	Page
SUMMARY	7
RISK FACTORS	26
RESPONSIBILITY STATEMENT	39
DOCUMENTS INCORPORATED BY REFERENCE	40
TAXATION	45
SELLING RESTRICTIONS	56
FORM OF THE SECURITIES	69
CLEARING AND SETTLEMENT	73
GENERAL INFORMATION	75
AUTOPILOT STRATEGY	82
GENERAL CONDITIONS	89
PRODUCT CONDITIONS	103
Active Investment Strategy (Autopilot) Warrants	
ADDITIONAL CONDITIONS	153
FORM OF FINAL TERMS	153

SUMMARY

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 plc (the “**Issuer**” or “**RBS**”).

The Issuer is a public limited company incorporated in Scotland with registration number SCO90312 and was incorporated under Scots law on 31 October 1984. The Issuer (together with its subsidiaries, the “**Issuer Group**”) is a wholly owned subsidiary of The Royal Bank of Scotland Group plc (“**RBSG**” (RBSG together with its subsidiaries consolidated in accordance with International Financial Reporting Standards, the “**Group**”). RBSG is the holding company of a large global banking and financial services group. Headquartered in Edinburgh, the Group operates in the United Kingdom, the United States and internationally through its principal subsidiaries, the Issuer and National Westminster Bank Plc (“**NatWest**”). Both the Issuer 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.

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.

The Issuer Group had total assets of £1,433 billion and owners' equity of £62 billion as at 31 December 2011. As at 31 December 2011, the Issuer Group's capital ratios were a total capital ratio of 14.6 per cent., a Core Tier 1 capital ratio of 9.2 per cent. and a Tier 1 capital ratio of 11.0 per cent.

In 2007, RFS Holdings B.V. ("**RFS Holdings**"), which was jointly owned by the Group, the Dutch State (successor to Fortis Bank Nederland (Holding) N.V.) and Banco Santander, S.A. (together, the "**Consortium Members**"), completed the acquisition of ABN AMRO Holding N.V.

On 6 February 2010, the businesses of ABN AMRO Holding N.V. acquired by the Dutch State were legally demerged to a newly established company, ABN AMRO Bank N.V. which on 1 April 2010 was transferred to ABN AMRO Group N.V., itself owned by the Dutch State.

Following legal separation, RBS Holdings (formerly ABN AMRO Holding N.V.) has one operating subsidiary, The Royal Bank of Scotland N.V. ("**RBS N.V.**"), a fully operational bank within the Group. RBS N.V. is independently rated and regulated by the Dutch Central Bank. Certain assets within RBS N.V. continue to be shared by the Consortium Members.

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 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 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 the Securities.
- 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.
- RBS has entered into a credit derivative and a financial guarantee contract with RBS N.V. which may adversely affect the Issuer Group's results.
- 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 Product Conditions for each of the Securities provide that the Cash Amount will be dependent upon the performance of the Strategy. The performance of the Strategy in turn depends upon the performance of each Basket and, therefore, of each such Basket's constituent Underlying(s).
- The Securities are warrants which, upon and subject to due exercise, pay a cash amount determined by

reference to the level of the Underlying(s), subject to the warrant entitlement. Investors should be aware that their entire investment may be lost in the event that, at the exercise date, the final reference price does not exceed the strike price (in the case of a call warrant) or the strike price does not exceed the final reference price (in the case of a put warrant). Unlike direct investments, investors are not able to hold a warrant beyond the the exercise date, which is the expiration date of the warrant, in the expectation of a recovery in the price of the Underlying(s).

- In the event of any postponement of a rebalancing date due to market disruption, the Issuer may make certain adjustments to the terms and conditions of the Securities.
- Investors should be aware that, although there is a relationship between the value of the Securities on any given day (the “**Securities Value**”) and the current Strategy level, the Securities Value does not equate to the current Strategy level.
- 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(s), interest rate risk with respect to the currency of denomination of the Underlying(s) and/or the Securities, the volatility of the Underlying(s), fluctuations in the rates of exchange or value of currencies relating to the Securities and/or the

Underlying(s), restrictions on the exchangeability of currencies relating to the Securities and/or the Underlying(s), disruptions affecting the value or settlement of the Securities and/or the Underlying(s) 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 an Underlying which may affect the market price, liquidity or value of that Underlying and/or the Securities in a way which could be adverse to the interests of the holders of the Securities (each, a “**Holder**” and together, the “**Holders**”).
- The Issuer’s hedge position (if any) in the jurisdiction of the relevant Underlying(s) could be impacted by foreign exchange control, or other similar, restrictions. In certain circumstances, including the insolvency of a

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 any Underlying(s) to the investors. The Issuer may choose not to hold an Underlying or any derivative contracts linked to that 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(s). In making such adjustments, the Calculation Agent is entitled to exercise substantial discretion and may be subject to conflicts of interest.
- There may be a delay between the time of exercise of the Securities and the determination of the amount payable following such exercise. Such delay may increase or decrease the return from the Securities.
- Securities not exercised in accordance with the Conditions will (where exercise is required) expire worthless.
- 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.

Principal Agent:	The Royal Bank of Scotland plc
Calculation Agent:	The Royal Bank of Scotland plc
Dealer:	The Royal Bank of Scotland plc
Listing and Admission to Trading:	Application will be made to NYSE Euronext or any other stock exchange or market specified in the applicable 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 applicable Final Terms up to the expiry of 12 months from the date of this Base Prospectus. The Issuer may also issue unlisted Securities.
Description of the Securities:	<p>The terms and conditions (the "Conditions") applicable to the warrants issued under this Base Prospectus are contained in the General Conditions, the Product Conditions, the applicable Additional Conditions (if any) and the Final Terms applicable to the particular Series being issued.</p> <p>The Securities are denominated in the Settlement Currency specified in the applicable Final Terms and the issue price of each Security will be set out in the applicable Final Terms. The Securities are investment instruments which, upon and subject to due exercise in accordance with their Conditions, pay an amount (the "Cash Amount"), on a date specified in the applicable Final Terms, determined by reference to the performance of the Autopilot Strategy (the "Strategy"), subject to the warrant entitlement and less certain expenses.</p> <p>The Strategy, in turn, is linked to the performance of one or more Baskets (each a "Basket" and together, the "Baskets"). Each Basket will comprise either (i) a single index, share (which may be a share in an exchange traded fund) or commodity (or relevant futures or forward contract)</p>

(each an “**Underlying**” and together the “**Underlyings**”) or (ii) more than one Underlyings (or a combination of any of them), in each case as specified in the applicable Final Terms.

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

Cash Settlement: The Securities are cash settled warrants which, upon exercise, pay a cash amount determined by reference to the value of the Underlying(s) on a specified day.

Call Warrants: Call warrants are warrants which, upon exercise, entitle the Holder to payment of a cash amount determined by reference to the amount (if any) by which the value of the Strategy at exercise (the “**Final Reference Price**”) exceeds a pre-determined value of the Strategy (the “**Strike Price**”).

Put Warrants: Put warrants are warrants which, upon exercise, entitle the Holder to payment of a cash amount determined by reference to the amount (if any) by which the Strike Price exceeds the Final Reference Price.

European Style Warrants: The Securities are European style warrants which may only be exercised on a single expiration date specified in the Final Terms (the “**Expiration Date**”).

Autopilot Strategy: The Strategy is based on a dynamic rules-based strategy which notionally allocates the invested funds between each Basket and cash. On a rebalancing date when a Basket’s current price is above its moving average of recent prices invested funds will be allocated to that Basket. Otherwise, the invested funds from a Basket are allocated to cash when that Basket’s current price is below its moving average of recent prices.

Interest: The Securities will not be interest bearing.

Cash Amount: Upon exercise of the Securities, the investors will receive an amount equal to the Cash Amount, which will be calculated as follows, where the "strike price" is a percentage and the

"warrant entitlement" is a value, both to be specified in the applicable Final Terms:

Cash Amount for a call warrant:

1. in relation to a call warrant,

- (i) (A) the percentage equal to
 - (x) the final Strategy level divided by the initial Strategy level; minus
 - (y) the strike price; or
- (B) if “**Autopilot Lock-in Percentage**” is specified as applicable in the applicable Final Terms (being a percentage based upon the highest Strategy level achieved on any rebalancing date), the percentage equal to
 - (x) the greater of
 - (a) the **Autopilot Lock-in Percentage**; and
 - (b) the final Strategy level divided by the initial Strategy level;
 - minus
 - (y) the strike price,

multiplied by

- (ii) the warrant entitlement, in either case subject to a minimum of zero and to the deduction of certain expenses.

Cash Amount for a put warrant:

2. in relation to a put warrant,

- (i) (A) the percentage equal to
 - (x) the strike price; minus
 - (y) the final Strategy level divided by

the initial Strategy level; or

(B) if “**Autopilot Lock-in Percentage**” is specified as applicable in the applicable Final Terms (being a percentage based upon the highest Strategy level achieved on any rebalancing date), the percentage equal to

(x) the strike price; minus

(y) the greater of

(a) the Autopilot Lock-in Percentage; and

(b) the final Strategy level divided by the initial Strategy level,

multiplied by

(ii) the warrant entitlement, in either case subject to a minimum of zero and to the deduction of certain expenses.

Indicative Issue Price:

The Securities will be issued at a price determined by the Issuer who may, in making such determination, refer to, amongst other factors, the level of the Underlying(s), the relevant warrant entitlement and any applicable foreign exchange rate(s).

Indicative prices of the Securities:

The Issuer will use reasonable endeavours to provide indicative bid and offer prices with a maximum spread for the Securities on a daily basis as set out in the applicable Final Terms. In determining such indicative prices, the Issuer will take into account the current Strategy level and current and expected future market conditions. Investors should be aware that such bid and offer prices for the Securities are only indicative prices and not ‘firm’ prices at

which the Issuer will necessarily buy or sell the Securities.

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 other amount 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 SIX SIS Ltd is specified as Clearing Agent, Securities will, following their issuance, be transformed into intermediated securities in accordance with article 6 of the Swiss Federal Intermediated Securities Act.

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.

Exercise of Securities:

The Securities may only be exercised on a single Exercise Date, which is the Expiration Date. Any unexercised Securities may, if so specified in the applicable Product Conditions and Final Terms, be deemed to be automatically exercised if, on the Exercise Date, the Final Reference Price is higher than the Strike Price (in the case of Call Warrants) or the Strike Price is higher than the Final Reference Price (in the case of Put Warrants). If not so specified, such Securities will become void. Notification of any automatic exercise will be made in the manner set out under “General Information”.

Settlement of Securities:

Securities shall be cash settled only.

Market Disruption Events:

If a Market Disruption Event occurs Holders may experience a delay in settlement and the cash price paid on settlement may be adversely affected. Market Disruption

Events are defined in Product Condition 5.

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 and the cash amount paid on settlement may be adversely affected. Emerging Market Disruption Events are defined in Product Condition 1.

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 5.

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 5.

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 5.

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 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.

RISK FACTORS

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 any 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 warrants which entail particular risks

The Securities to be issued are investment instruments which, upon and subject to due exercise, pay a cash amount determined by reference to the level of the Underlying(s), subject to the warrant entitlement.

Investors should be aware that their entire investment may be lost in the event that on the Exercise Date

either the Final Reference Price does not exceed the Strike Price (in the case of a Call Warrant) or the Strike Price does not exceed the Final Reference Price (in the case of a Put Warrant). Unlike direct investments in the Underlying, the Expiration date of the Securities is limited to a single day. Thus investors are not able to hold the Securities beyond the Expiration Date in the expectation of a recovery in the price of the Underlying(s).

The terms and conditions of the Securities provide that the Cash Amount will be dependent upon the performance of the Strategy. The performance of the Strategy in turn depends upon the performance of each Basket and, therefore, of each such Basket's constituent Underlying(s).

In the event of any postponement of a rebalancing date due to market disruption, the Issuer may make certain adjustments to the terms and conditions of the Securities.

Investors should be aware that although there is a relationship between the value of the Securities on any given day (the "**Securities Value**") and the current Strategy level, the Securities Value does not equate to the current Strategy level. This is because the Cash Amount will be determined by reference to, amongst other things, (i) the final Strategy level, (ii) the initial Strategy level and (iii) the Strike Price. As the final Strategy level will either be determined according to the Strategy level on the final rebalancing date or the arithmetic average of the Strategy levels over a specified number of rebalancing dates up to and including the final rebalancing date (i.e. the "Asian" final Strategy level), the Securities Value on any given day will also reflect (i) in the case of Securities using the "Asian" final Strategy level, the Strategy levels on past rebalancing dates and (ii) in all cases prior the final rebalancing date, factors including the Issuer's expectation of future movements in the Strategy level, option prices and the volatility of the markets of the Underlying(s).

If "Autopilot Lock-in Percentage" is specified in the applicable Final Terms as applicable, the Cash Amount will be calculated by reference to the highest Strategy level achieved on any rebalancing date during the life of the Securities (the "**Highest Strategy Level**"). If "Autopilot Lock-in Percentage" is specified in the applicable Final Terms as not applicable, the Cash Amount will be calculated by reference to the percentage difference between the final Strategy level (which may be lower than the Highest Strategy Level) and the initial Strategy level. Accordingly, investors should be aware that if "Autopilot Lock-in Percentage" does not apply and the final Strategy level is less than the Highest Strategy Level, the Cash Amount would be less than if "Autopilot Lock-in Percentage" applied (assuming in either case the deduction of the same amount of expenses).

The price at which a Holder will be able to sell the Securities prior to maturity or expiration may be at a potentially substantial discount to the market value of the Securities at the issue date, if, at such time and in addition to any other factors, (i) if the Securities are specified to be call warrants, the value of the Underlying(s) is below, equal to or not sufficiently above (as the case may be) the Strike Price; or (ii) if the Securities are specified to be put warrants, the value of the Underlying(s) is above, equal to or not

sufficiently below (as the case may be) the Strike Price.

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;
- (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 an Underlying (or its constituent elements) as a hedge and it may choose not to do so.

The 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 the Securities 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 exercise date. Holders may sustain a total loss of their investment. 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(s)*. The market price of the Securities at any time is expected to be affected primarily by changes in the value of the Underlying(s) to which such Securities are linked. It is impossible to predict how the value of the relevant Underlying(s) will vary over time. Factors which may have an affect on the value of the Underlying(s) include, in the case of a share or index, the rate of return of the Underlying(s) and the financial position and prospects of the issuer of the Underlying(s) or any component thereof. In addition, the value of the Underlying(s) 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(s) and will be influenced (positively or negatively) by it/them, any change may not be comparable and may be disproportionate. It is possible that while an 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) *Reserve Rate*. In circumstances where the invested funds are allocated to cash the Securities will be linked to a notional cash deposit which accrues interest at a rate (the “**Reserve Rate**”) specified in the applicable Final Terms. Fluctuations in the Reserve Rate may affect the value of the Securities.
- (c) *Interest Rates*. Investments in the Securities may involve interest rate risk with respect to the currency of denomination of the Underlying(s) 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(s) relating to the Securities.
- (d) *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.

- (e) *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.
- (f) *Disruption.* 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. Prospective purchasers should review the Conditions to ascertain whether and how such provisions apply to the Securities.*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) there being no adverse market conditions prevailing, as determined by the Issuer 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 who sell their Securities receiving significantly less than they otherwise would have received if the Securities were exercised on the expiration date.

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 that Underlying forms a part. In addition, it may not be possible to liquidate the Securities at a level which directly reflects the price of that Underlying or portfolio of which that 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 an 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 an 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 any Underlying which may affect the market price, liquidity or value of that 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 any Underlying or in derivatives linked to that 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 Issuer's Hedge Position may affect the value of the Securities

The Issuer may enter into a hedging transaction in the relevant jurisdiction of an Underlying in order to offer exposure to that Underlying. Foreign exchange control restrictions, including restrictions which prevent the conversion of the Relevant 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 an Underlying could result in a delay in the determination of the Reference Price and the Settlement Date (each as defined in the Product Conditions), 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 4(d) below.

Holders have no ownership interest in the Underlyings

The Securities convey no interest in any Underlying. The Issuer may choose not to hold an Underlying or any derivatives contracts linked to any such 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 any such 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 an 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.

The Issuer may be sponsor or calculation agent in respect of an Underlying

The Issuer or one of its affiliates may be the sponsor or calculation agent in respect of (i) an Underlying or (ii) one or more of the components of an Underlying to which the Securities may be linked. The rules of any Underlying (or component of any such Underlying) may provide the Issuer (or its Affiliate) in its capacity as sponsor or calculation agent with discretion to make certain determinations and judgements which may influence the level of such Underlying (or component of such Underlying). Those determinations or judgements may be adverse to the interest of the holders of the Securities and may negatively impact the value of the Securities.

There may be limitations on a Holder's right to exercise the Securities

Integral Multiples. In order to exercise the Securities, a Holder must tender a number of Securities which is an integral multiple of the number specified in the applicable Final Terms at any one time. Thus Holders who wish to exercise Securities but do not have number of Securities which is such an integral multiple will either have to sell Securities or purchase additional Securities, incurring transaction costs in each case, in order to exercise, and may incur the risk that the trading price of the Securities at that time is different from the applicable Cash Amount.

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

There may be delays in effecting settlement

Upon exercise of any Securities, there will be a time lag between the time a holder of the Securities gives instructions to exercise and the time the applicable Cash Amount relating to such exercise is determined. Any such scheduled delay between the time of exercise and the determination of the Cash Amount will be specified in the Conditions. However, such delay could be significantly longer, particularly in the case of a delay in exercise of such Securities arising from any delay consequent upon the determination by the Calculation Agent that a Market Disruption Event (which includes Emerging Market Disruption Events) or a Settlement Disruption Event occurred at any relevant time. The applicable Cash Amount could decrease or increase from what it would have been but for such delay.

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

If the Securities are subject to provisions concerning delivery of a Notice and such notice is received by either the relevant Clearing Agent, with a copy to the Principal Agent after the latest time specified in the Conditions, it will be deemed to be duly delivered on the next following Business Day. Such deemed delay may increase or decrease the Cash Amount from what it would have been but for such deemed delivery. Any Notice not delivered by the latest time specified in the Conditions, shall be void unless the Securities are automatically exercised in accordance with the applicable Product Conditions and Final Terms.

The failure to deliver any certifications required by the Conditions could result in the loss or inability to receive amounts or deliveries otherwise due under the Securities.

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

Securities not exercised in accordance with the Conditions will (where exercise is required) expire worthless.

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.

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 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. 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 (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 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 exercise 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 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 applicable 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.

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.

DOCUMENTS INCORPORATED BY REFERENCE

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 of the Issuer dated 24 February 2012, which was published via the Regulatory News Service of the London Stock Exchange plc (“**RNS**”) on 24 February 2012 (the “**Registration Document**”), excluding:
 - (i) the following information within the section entitled “Introduction”:
 - (x) the final sentence of the fourth paragraph of such section, which begins with the words “Moody’s Investors Service Limited”;
 - (y) the seventh paragraph of such section, which begins with the words “As defined by Moody’s”; and
 - (z) limb (ii) of the eighth paragraph of such section, which begins with the words “the ratings definitions set out above”;
 - (ii) the sub-section headed “Assets, owners’ equity and capital ratios” under the section headed “Description of the Royal Bank of Scotland plc” on page 26; and
 - (iii) the sub-section headed “No Significant Change and No Material Adverse Change” under the section headed “General Information” on page 63.
2. The annual report and accounts of the Issuer (including the audited consolidated annual financial statements of the Issuer, together with the audit report thereon) for the year ended 31 December 2011 (excluding the sections headed “Financial review — Risk factors” on page 6 and “Additional information — Risk factors” on pages 283 to 296), published via RNS on 26 March 2012.
3. The annual report and accounts of the Issuer (including the audited consolidated annual financial statements of the Issuer, together with the audit report thereon) for the year ended 31 December

2010 (excluding the sections headed “Financial Review — Risk factors” on page 5, “Additional Information — Risk factors” on pages 238 to 254), published via RNS on 15 April 2011.

4. The following sections of the annual report and accounts of The Royal Bank of Scotland Group plc (“**RBSG**”) 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.
5. The following sections of the annual report and accounts of RBSG 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;
 - (viii) 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 (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.
6. The unaudited Interim Management Statement Q1 2012 of RBSG which was published via RNS on 4 May 2012.

7. 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 registered office of the Issuer at 36 St Andrew Square, Edinburgh, EH2 2YB, Scotland and on <http://markets.rbs.com/bparchive> or <http://markets.rbs.com/launchpad>; Tel. 00 44 (0)131 523 3636.

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 and Swiss Listing Rule Scheme F 2.2.5. 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 or at the registered office of the Issuer at 250 Bishopsgate, London EC2M 4AA, United Kingdom.

TAXATION

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 of 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

If interest is payable on the Securities or if payments made in respect of the Securities were to be regarded as interest for United Kingdom tax purposes, such payments may be made without deduction or withholding for or on account of United Kingdom income tax, provided that the Issuer continues to be a bank within the meaning of section 991 of the Income Tax Act 2007 (the “Act”), and provided that any such interest is paid in the ordinary course of the Issuer’s business within the meaning of section 878 of the Act.

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, 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

Stamp duty on the issue of Securities

Subject to the following two paragraphs, no stamp duty will generally be payable in relation to the issue of Securities, including where such Securities are issued into CREST.

A charge to United Kingdom stamp duty at a rate of 1.5 per cent. of the value of the Securities may arise on the issue of Securities in bearer form where such Securities are denominated in sterling and do not constitute loan capital for the purposes of section 78 Finance Act 1986 (“**FA 1986**”) (“**Loan Capital**”).

The issue of a Security which has the characteristics of an option or any instrument granting such a Security may also be subject to United Kingdom stamp duty at a rate of up to 4 per cent. of the consideration paid for the Security.

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 (as defined below).

Stamp duty on the exercise or redemption of Securities

No United Kingdom stamp duty should be payable in relation to the exercise or redemption of a Security.

Stamp duty reserve tax (“SDRT”)

For the purposes of the preceding and 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.

SDRT on Loan Securities

The following analysis applies to Securities which constitute stock and/or loan capital for the purposes of section 99(3) FA 1986 (“**Loan Securities**”).

SDRT on the issue of Loan 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 Loan 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 Loan Security which is not Exempt Loan Capital, unless that Loan 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 systems 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 Loan Securities into CREST

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

SDRT on the transfer of Loan 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 Loan Security held within a Clearance Service provided that no s97A Election applies in respect of the Security.

SDRT on the transfer of Loan 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 Loan Securities held outside a Clearance Service, Loan Securities held within CREST or Loan 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 Loan Security within CREST or any agreement to transfer a Loan Security, in each case, provided that it is Exempt Loan Capital.

In the case of Loan Securities held outside a Clearance Service, Loan Securities held within CREST or Loan 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 Loan Security, in each case, which is not Exempt Loan Capital, unless that Loan 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 Loan Securities, unless the transfer is to a Clearance Service or to a person issuing depository 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 exercise or redemption of Loan Securities

No SDRT should be payable in relation to the redemption or exercise of a Security which is a Loan Security.*SDRT on Option Securities*

The following analysis applies to Securities which do not constitute stock and/or loan capital for the purposes of section 99(3) FA 1986 (“**Option Securities**”).

SDRT on the issue of Option Securities to a Clearance Service

No SDRT should be payable in relation to the issue of a Security which is an Option Security to a Clearance Service unless such Security is either (a) an interest in stocks, shares or loan capital that is not Exempt Loan Capital or (b) an interest in dividends or other rights arising out of such stocks, shares or loan capital.

As noted above, HMRC has indicated that the 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 systems 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 this position.

SDRT on the issue of Option Securities into CREST

No SDRT will be payable in respect of the issue of Option 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 Option 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 Option Securities held within a Clearance Service, provided that no s97A Election applies in respect of the Security.

SDRT on the transfer of Option Securities held outside a Clearance Service, held within CREST or 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 which is an Option Security within CREST or an agreement to transfer such Security which is held outside a Clearance Service or which is held within a Clearance Service where a s97A Election has been made unless such Security is either (a) an interest in stocks, shares or loan capital that are not Exempt Loan Capital or (b) an interest in dividends or other rights arising out of such stocks, shares or loan capital.

SDRT on the exercise or redemption of Option Securities

No SDRT should be payable in relation to the exercise of a Security.

3. SWITZERLAND

The following is a general summary of the Issuer's understanding of certain Swiss tax consequences in relation to dealings in the Securities according to the currently valid Swiss tax laws and the Swiss tax authorities' practice as of the date of publication of this Base Prospectus. This outline is a summary and not exhaustive and does not take into consideration possible special circumstances of some investors. Tax laws and the tax authorities' practice may undergo changes (or their interpretation or application may change) and their validity might also be retroactive.

Potential investors should consult their own tax advisors, legal advisers or financial consultants regarding their personal tax situation when entering into transactions with reference to the Securities.

- (a) **General Information.** The Swiss tax treatment of notes, bonds and other financial instruments are primarily regulated pursuant to the conditions set forth in the Circular Letter no. 15 of the Federal Tax Administration regarding the treatment of Bonds and Derivatives Financial Instruments for the purpose of the Federal Income Tax, Federal Withholding Tax and Federal Stamp Duties, as published on 7 February 2007. These rules are usually also applied by the Cantonal and Communal tax authorities. It should be noted that the Swiss tax terms "notes" and "bonds" are not consistent with the corresponding terms stipulated by Swiss security laws and the international or foreign understanding of such terms.
- (b) **Swiss Stamp Taxes.** The issuance of Securities issued by a foreign resident issuer is in general not subject to the Swiss Issue Stamp Tax ("Emissionsabgabe"). Secondary market transactions of Securities which are considered as (debt) financing instruments, share-like products, fund-like products and Low Exercise Price Options (LEPO) on shares with maturity more than one year and the issuance of fund-like Securities issued by a foreign resident issuer are subject to the Swiss Securities Transfer Tax, provided that a Swiss securities dealer ("Effekthändler"), as defined in art. 13 para. 3 of the Swiss Federal Act on Stamp Duties ("Stempelabgabengesetz"), is a party to the Securities transaction or acts as an intermediary thereto. Certain exemptions may, inter alia, apply with regard to institutional investors such as mutual funds, life insurance companies and social security institutions. Pure derivatives for Swiss tax purposes like options and futures do normally not classify as taxable securities and are therefore not

subject to Swiss Issue Stamp Tax and Swiss Securities Transfer Tax. If upon the exercise or redemption of a Security an underlying security is delivered to the holder of the Security, the transfer of the underlying security may be subject to Swiss Securities Transfer Tax.

- (c) **Swiss Withholding Tax.** Securities issued by a foreign resident issuer are in general not subject to Swiss withholding tax. Payments or credit of (deemed) interest or dividends on a Security issued by a Swiss resident issuer may be subject to Swiss federal withholding tax at a rate of 35%. This may apply likewise to payments or credits of yield from Securities which classify for tax purposes as fund-like products. The holder of a Security who is resident in Switzerland may be entitled to a full refund of or a full tax credit for the Swiss federal withholding tax, subject to conditions being met. A non Swiss resident holder of a Security may be able to claim a full or partial refund of the Swiss federal withholding tax if such a holder is entitled to claim benefits with regard to such a payment of a double taxation treaty between Switzerland and his or her country of residence.

- (d) **Swiss Income Tax Treatment for Securities Held by Private Investors (Individuals) with Tax Residence in Switzerland as Part of their Private Assets.** Payments or credits received by a holder of a Security, which are considered in a Swiss tax perspective as dividends or interests, are subject to income tax. Gains or losses realised upon a sale or other disposition by individuals with tax residence in Switzerland holding a Security as part of their private assets (private capital gain or losses) are in general not subject to Swiss Income Tax and are not deductible from taxable income respectively. However, capital gains may be subject to income taxation, if a Security qualifies as predominant one-time interest paying bond. Also gains or losses realised by buying or selling of pure derivatives for Swiss tax purposes (options and futures) are not subject to income tax as they are considered as tax-exempt capital gains or losses. Whether a Security generates taxable income (dividend and interest) or tax-exempt capital gains is depending on certain features of the Security (1-delta pay-off, reverse convertible, guaranteed coupon payments or capital protection etc.), on the underlying of the Security and on the maturity of the Security. Some Securities may be divided into taxable bonds and a tax-exempt option (or combinations of options) provided that the Security is, for Swiss tax purposes, made transparent by the issuer. A Security is considered transparent if the value on issuance of its bond and its option components can be determined separately. Under the condition of transparency, the option premium paid by the issuer is exempt

from income taxation (where otherwise applicable); taxation is limited to the interest of the bond part which would have been paid for an investment in a comparable straight bond of the same issuer with a similar term and the same currency at market conditions. If the interest part of the Security is paid as a one-time compensation, the so-called “modifizierte Differenzbesteuerung” may apply in each case of pre-maturity sale or redemption of the Security. If a Security is not made transparent for Swiss tax purposes (only if the security needs to be transparent for Swiss tax purposes) the total payment to the investor (except the repayment of the invested capital) could be considered as taxable income.

- (e) Swiss Income Tax Treatment for Securities Held by Swiss Resident Entities or Individuals as Part of Business Assets. Income of any kind realised from Securities as part of business assets of individuals (including deemed securities dealers for Swiss tax purposes) or entities in Switzerland are subject to personal income tax or corporate income tax respectively as part of their overall net income.
- (f) Wealth Taxation of Securities Held by Private Investors (Individuals) with Tax Residence in Switzerland. The market value of the Securities may be subject to wealth tax levied on overall net wealth of individuals with tax residence in Switzerland, regardless of whether the Securities are held as part of their private or business assets.
- (g) EU Savings Tax. On 26 October 2004, the European Community and Switzerland entered into an agreement on the taxation of savings income pursuant to which Switzerland adopts measures equivalent to those of the European Directive 2003/48/EC of 3 June 2003 on the taxation of savings income in the form of interest payments. The agreement came into force as of 1 July 2005. On the basis of this agreement, Switzerland introduced a withholding tax on interest payments and other similar income paid by a paying agent within Switzerland to an individual resident in an EU member state. The withholding tax is withheld at a rate of 15 % for the first three years beginning with 1 July 2005, 20 % for the next three years and 35 % thereafter, with the option of such an individual to have the paying agent and Switzerland provide to the tax authorities of the Member State details of the payments in lieu of the withholding. The beneficial owner of the interest payments may be entitled to a tax credit or refund of the withholding, if any, provided that that certain conditions are met. Securities issued under this programme may be subject to EU Savings Tax. The qualification regarding “in scope” or “out of scope” of the EU Savings Tax is depending on certain features of the Security and on the

underlying of the Security.

SELLING RESTRICTIONS

In respect of each Series of Securities issued under the Programme, a Dealer and/or distributor may, by entering into a purchase agreement, agree with the Issuer the basis upon which it agrees to purchase Securities. Any such agreement will extend to those matters stated under “Form of the Securities” and the Conditions.

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

No action has been or will be taken by the Issuer or any Dealer that would permit a public offering of the Securities or possession or distribution of 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.

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 represents and agrees 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 2010PD 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 represents, warrants and agrees that 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 would not, if the Issuer was not an authorised person, apply to the Issuer and 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 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 Group 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. SWITZERLAND

Securities issued under this Programme which are not listed on SIX Swiss Exchange Ltd. do not qualify for public distribution in or from Switzerland according to Article 5 of the Swiss Federal Act on Collective Investment Schemes. Accordingly, such Securities may not be publicly distributed in or from Switzerland and neither this Programme, any Final Terms nor any marketing material relating to the Securities may be distributed in connection with such distribution, unless a special simplified prospectus is prepared setting forth any and all information which may be required to be disclosed in a simplified prospectus pursuant to Art. 5 of the Swiss Federal Act on Collective Investment Schemes and any implementing ordinance or other applicable act or regulation or self-regulation in the Final Terms or a separate document (the “**Simplified Prospectus**”). Any term sheet prepared shall be subject to the Final Terms and the Simplified Prospectus, if any, for the relevant Securities. If no Simplified Prospectus is prepared, the Securities may only be offered and the Programme, any Final Terms or any marketing material may only be distributed in or from Switzerland to qualified investors according to the applicable provisions of the Collective Investment Scheme Act (“**CISA**”) in such a way that there is no public marketing or offering in or from Switzerland as defined pursuant to the most restrictive interpretation of the applicable Swiss 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.

FORM OF THE SECURITIES

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 depositary for one or more Clearing Agents (the “**Common Depositary**”).

Upon the initial deposit of a Global Security in bearer form with a Common Depositary 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 Depositary for a Clearing Agent (the “**Relevant Clearing Agent**”) may also be credited to the accounts of subscribers with (if indicated in the applicable 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

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 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 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. 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 permanent Global Security in bearer form, the first day 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 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 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 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.

CLEARING AND SETTLEMENT

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 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.

GENERAL INFORMATION

Authorisation

The establishment of the Base Prospectus and the issue of Securities has been duly authorised by resolutions of a sub-committee of the Group Asset and Liability Management Committee dated 26 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.

Assets, Owners' Equity and Capital Ratios

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.

The Issuer Group had total assets of £1,433 billion and owners' equity of £62 billion as at 31 December 2011. As at 31 December 2011, the Issuer Group's capital ratios were a total capital ratio of 14.6 per cent., a Core Tier 1 capital ratio of 9.2 per cent. and a Tier 1 capital ratio of 11.0 per cent.

Ratings

Moody's Investors Service Limited (“**Moody's**”) is expected to rate: senior notes issued by RBS with a maturity of one year or more “A3”; senior notes issued by RBS with a maturity of less than one year “P-2”; and dated subordinated notes and undated tier 2 notes issued by RBS will be rated on a case-by-case basis.

As defined by Moody's, an “A” rating means the capacity of the Issuer to meet its obligations on the relevant notes issued by it is considered to be upper-medium grade subject to low credit risk. As defined by Moody's, the addition of a “3” indicates that the obligation ranks in the lower 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.moody.com).

The rating definitions set out in this Prospectus have been accurately reproduced from the sources identified above and, so far as RBS 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 Issuer 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 Issuer Group taken as a whole since 31 December 2011 (the date of the last published audited financial information of the Issuer Group).

Documents available

During the validity of this Base Prospectus, copies of the following documents will, when published, 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; and
- (f) 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**”), Verdipapirsentralen ASA (“**VPS ASA**”), SIX SIS Ltd 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, VPS ASA and SIX SIS Ltd, 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 Issuer for subscription to prospective investors but the Issuer 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. 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 applicable 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 applicable Final Terms in respect of the applicable Series of the Securities. There is no maximum subscription amount unless otherwise stated in the applicable 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. The Issuer shall have no 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 applicable 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 applicable 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 Securities are denominated in the Settlement Currency specified in the applicable Final Terms and the issue price of each Security will be set out in the applicable Final Terms.

The Securities are investment instruments which, upon and subject to due exercise in accordance with their Conditions, pay an amount (the “**Cash Amount**”), on a date specified in the applicable Final Terms, determined by reference to the performance of the Autopilot Strategy (the “**Strategy**”), subject to the warrant entitlement and less certain expenses. The Strategy, in turn, is linked to the performance of one or more Baskets (each a “**Basket**” and together, the “**Baskets**”). Each Basket will comprise either (i) a single index, share (which may be a share in an exchange traded fund) or commodity (or relevant futures or forward contract) (each an “**Underlying**” and together the “**Underlyings**”) or (ii) more than one Underlying (or a combination of any of them), in each case as specified in the applicable Final Terms.

The Securities are cash settled European style warrants which may only be exercised on a single expiration date specified in the Final Terms (the “**Expiration Date**”) and, upon exercise, pay a cash amount determined by reference to the value of the Underlying(s) on the Expiration Date.

Securities which are call warrants, upon exercise, entitle the Holder to payment of a cash amount determined by reference to the amount (if any) by which the value of the Strategy at exercise (the “**Final Reference Price**”) exceeds a pre-determined value of the Strategy (the “**Strike Price**”).

Securities which are put warrants, upon exercise, entitle the Holder to payment of a cash amount determined by reference to the amount (if any) by which the Strike Price exceeds the Final Reference Price.

Issued Financial Instruments on the Issuer’s securities

At the date of this Base Prospectus, there are no convertible bonds or options on the Issuer’s securities (including employee options) outstanding which have been issued by the Issuer or by the group companies of the Issuer.

Equity Securities

All of the Issuer’s ordinary shares are held by The Royal Bank of Scotland Group plc and are not listed or traded.

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.

AUTOPILOT STRATEGY

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

Basic Methodology - Calculation of the Strategy Level

The Strategy adjusts to changing market conditions by allocating the invested funds dynamically between each Basket and a notional cash deposit ("**Cash**").

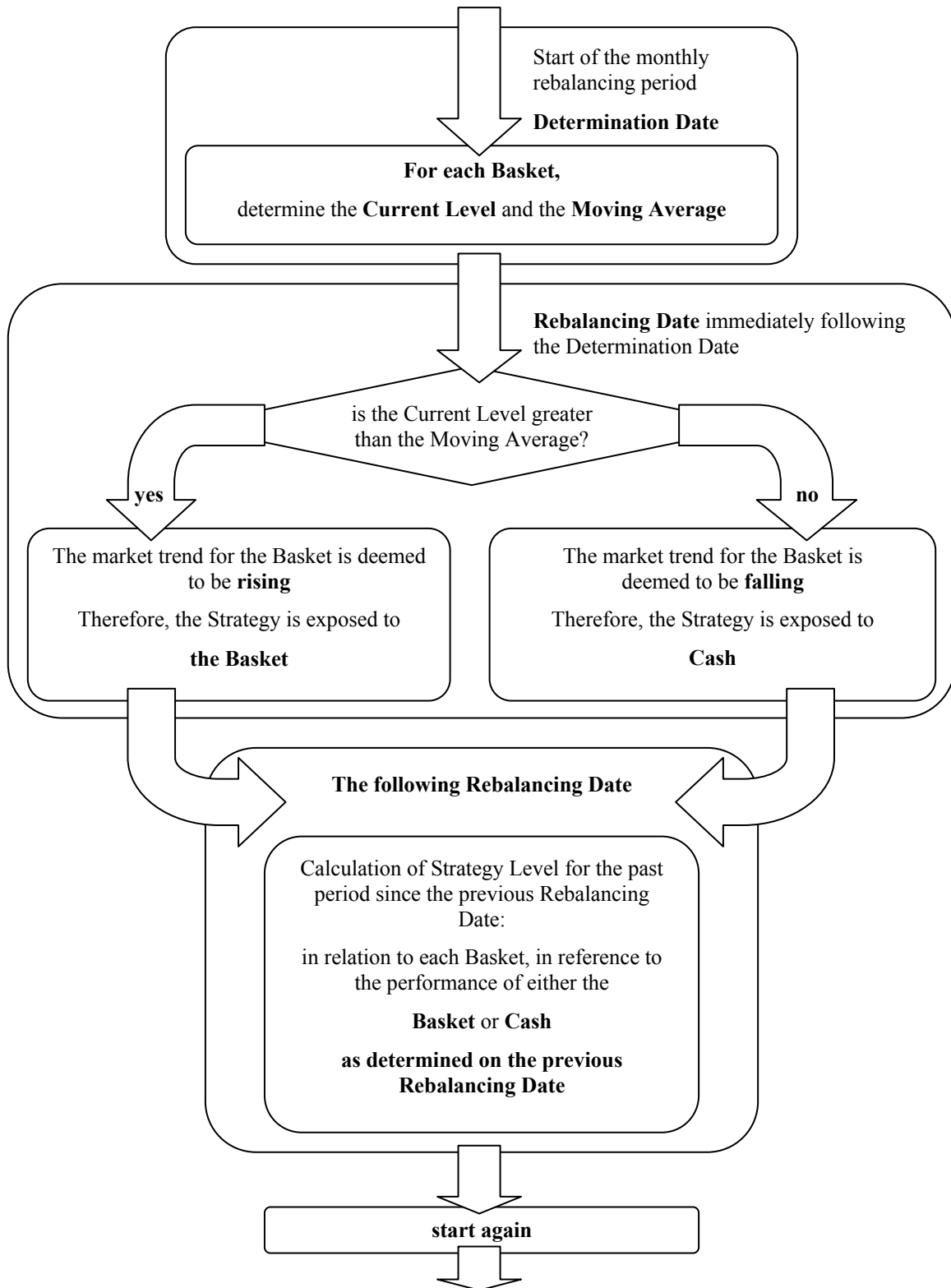
The Strategy uses a simple rule to determine whether it is exposed to the performance of a Basket or to Cash: For each Basket, on each Determination Date, the Strategy compares the current level of a Basket (the "**Current Level**") with the average of its levels over a number of previous Determination Dates (the "**Moving Average**"):

- (a) If the Current Level is higher than the Moving Average, the Basket is deemed to be in a positive or rising trend and the Strategy will allocate invested funds to the Basket.
- (b) If the Current Level is equal to or lower than the Moving Average, the Basket is deemed to be in a negative or falling trend and the Strategy will allocate invested funds to Cash and *not* to the relevant Basket.

The resulting allocation between each Basket and Cash will not change until the next Determination Date, and, during the intervening period, the Strategy (and therefore the value of the Securities) will either,

- (a) if exposed to a Basket, benefit in any rise in value of the Basket (subject to the Cap) or be impaired by any decline in the value of the Basket; or,
- (b) if exposed to Cash, benefit from the return generated by the notional Cash deposit (calculated by reference to the Reserve Rate, subject to the Cap) and not be impaired by any fall in value of the Basket – but, conversely, not benefit from any raise in value of the Basket, should such value actually raise contrary to the expectation as per the deemed trend.

The Strategy may be illustrated in the following diagram:



It should be noted that:

- (a) each Basket consists of one or more Underlying(s). The Strategy's allocation to any Basket(s) or Cash is determined by reference to the Basket Return of each Basket. The Strategy cannot allocate to individual Underlyings or Cash, it can only allocate between entire Baskets and Cash;
- (b) both the Basket Return and the return on a notional Cash deposit are subject to the Cap; and
- (c) the allocation of invested funds to any Basket(s) or Cash will take place on a Rebalancing Date. The Determination Date in relation to a Rebalancing Date is the immediately preceding Trading Day.

Calculation of the Cash Amount and the Lock-in Feature

The Cash Amount is the amount investors receive upon exercise of the Securities and is calculated as follows, where the "Strike Price" is a percentage and the "Warrant Entitlement" is a value, both to be specified in the applicable Final Terms:

1. in relation to a call warrant,

- (i) (A) the percentage equal to
 - (x) the Final Strategy Level divided by the Initial Strategy Level; minus
 - (y) the Strike Price; or
- (B) if “**Autopilot Lock-in Percentage**” is specified as applicable in the applicable Final Terms (being a percentage based upon the highest Strategy level achieved on any rebalancing date), the percentage equal to
 - (x) the greater of
 - (a) the Autopilot Lock-in Percentage; and
 - (b) the Final Strategy Level divided by the Initial Strategy Level;
 - minus
 - (y) the Strike Price,

multiplied by

- (ii) the Warrant Entitlement, in either case subject to a minimum of zero and to the deduction of Expenses; and
2. in relation to a put warrant,
- (i) (A) the percentage equal to

- (x) the Strike Price; minus
 - (y) the Final Strategy Level divided by the Initial Strategy Level; or
- (B) if “**Autopilot Lock-in Percentage**” is specified as applicable in the applicable Final Terms (being a percentage based upon the highest Strategy level achieved on any rebalancing date), the percentage equal to
- (x) the Strike Price; minus
 - (y) the greater of
 - (a) the Autopilot Lock-in Percentage; and
 - (b) the Final Strategy Level divided by the Initial Strategy Level,

multiplied by

- (ii) the Warrant Entitlement, in either case subject to a minimum of zero and to the deduction of Expenses.

The Final Strategy Level is either (i) the Strategy Level on the Final Rebalancing Date or (ii) the arithmetic average of the Strategy Levels over a specified number of Rebalancing Dates up to (and including) the Final Rebalancing Date.

As an example, assuming:

- (a) the Initial Strategy Level is 100;
- (b) there is no averaging of Strategy Levels and the Final Strategy Level is 107.3;
- (c) the Strike Price is 100%; and
- (d) the Securities are call warrants,

then the Cash Amount would be equal to: Warrant Entitlement multiplied by 7.3% (= $107.3/100 - 100\%$), less Expenses.

Where Autopilot Lock-in Percentage applies, the Cash Amount is calculated by reference to the greater of (i) the percentage change between the Final Strategy Level and the Initial Strategy Level (as set out above); and (ii) a percentage amount reflecting the highest Strategy Level achieved on any Rebalancing Date up to and including the Final Rebalancing Date determined as follows:

- (a) There is a series of 'Achievement Ranges' to which the Range Width is applied. The starting point for determining the first Achievement Range is 100%. If a Range Width of 10% applies, then the first Achievement Range would be from (and including) 100% to (but excluding) 110%, the second Achievement Range would be from 110% to 120%, and so on.

- (b) For each Achievement Range, the Strategy Rung Achieved is the lower boundary of the Achievement Range into which the Strategy Level on any given Rebalancing Date falls. In the previous example, if, on a certain Rebalancing Date, the Strategy Level is 114.3%, it falls into the Second Achievement Range and therefore the Strategy Rung Achieved in relation to such Rebalancing Date is 110%.
- (c) The Highest Strategy Rung Achieved is the highest Strategy Rung Achieved in respect of any Rebalancing Date up to and including the Final Rebalancing Date. Following the above example, if on Rebalancing Dates 1, 2, 3, 4 and 5 (Rebalancing Date 5 being the Final Rebalancing Date) the Strategy Levels were 114.3%, 112.2%, 108.1%, 121.3% and 107.3% respectively, the corresponding Strategy Rungs Achieved would be 110%, 110%, 100%, 120% and 100% and the Highest Strategy Rung Achieved would be 120%.
- (d) On the Final Rebalancing Date, the Autopilot Lock-in Percentage will be calculated as (a) the product of (i) the Highest Strategy Rung Achieved minus 100% and (ii) the Lock-in Percentage plus (b) 100%. Following the above example, and assuming a Lock-in Percentage of 60%, the Autopilot Lock-in Percentage would be determined as 112.0% ($= (120\% - 100\%) * 60\% + 100\%$).
- (e) If Autopilot Lock-in Percentage applies, the Cash Amount will be calculated by reference to the greater of:
- (1) the Autopilot Lock-in Percentage (112.0%, see above); and
 - (2) the final strategy performance without application of the lock-in feature (in the above example 107.3% ($= 107.3/100$),

in either case, taking into account the deduction of Expenses.

Therefore, completing the above example, the Cash Amount will be calculated as: the Warrant Entitlement multiplied by 12% ($= 112\% - 100\%$), subject again to the deduction of Expenses, comparing favourably to the Cash Amount which would have been payable without application of the Autopilot Lock-in Percentage (which would be Warrant Entitlement multiplied by 7.3% ($= 107.3\% - 100\%$), as set out above).

Questions & Answers

Question: If, on a Determination Date, the trend of a certain Basket is deemed to be negative or falling and consequently the Strategy is exposed to Cash instead of the relevant Basket, will a declining value of the Basket have any negative impact on the Strategy Level until the following Rebalancing Date?

Answer: No. If, following the determination of a falling trend, the Strategy is exposed to Cash instead of the relevant Basket, any movement in the value of the Basket during the period until the next Rebalancing Date will have no impact on the Strategy Level. However, it should be noted that if the Basket appreciates in value during this period, the Strategy Level will not benefit from any such growth.

Question: How does the Cap limit the performance of the Strategy Level?

Answer: The Cap is applied to the Basket Return or the return generated by the notional Cash deposit. Accordingly, the Cap limits the monthly performance for each Basket or return on the notional Cash deposit, as the case may be. It should be noted that there is no floor applicable to downwards performance of any of the Baskets.

Question: Does the Autopilot Lock-in Percentage impact on the calculation of the Strategy Level?

Answer: No. The Autopilot Lock-in Percentage (including, for the avoidance of doubt, the Lock-in Percentage), only impacts the calculation of the Cash Amount payable at maturity.

Question: All other thing being equal, can application of the Autopilot Lock-in Percentage ever result in a lower Cash Amount than a scenario where Autopilot Lock-in Percentage does not apply?

Answer: If Autopilot Lock-in Percentage applies, the Cash Amount is calculated as per the "**Final Reference Price**" which will be determined by reference to the greater of (i) the Final Strategy Level divided by the Initial Strategy Level; and (ii) a percentage amount determined by reference to the highest Strategy Level achieved on any Rebalancing Date up to and including the Final Rebalancing Date, whereas, only limb (i) applies if Autopilot Lock-in Percentage does not apply. The Final Reference Price will be taken into account positively for call warrants and negatively for put warrants. Therefore a distinction is to be made:

In relation to call warrants: No. All other thing being equal, the application of the Autopilot Lock-in Percentage can never result in a lower Cash Amount than a scenario where Autopilot Lock-in Percentage does not apply.

In relation to put warrants: Yes, all other thing being equal, the application of the Autopilot Lock-in Percentage may result in a lower Cash Amount than a scenario where Autopilot Lock-in Percentage does not apply and the resulting Cash Amount may be reduced to zero by the application of the Autopilot Lock-in Percentage.

Question: How does the 'Range Width' impact the calculation of the Autopilot Lock-in Percentage?

Answer: The Range Width defines the 'width' of an Achievement Range, the lower boundary of which is the Strategy Rung Achieved. The 'wider' an Achievement Range is, the more scope there is for potential 'downwards rounding' in the event the Strategy Level is closer to the upper boundary of each Achievement Range.

Question: What do 'Strategy Rung Achieved' and 'Highest Strategy Rung Achieved' mean?

Answer: The Strategy Rung Achieved is the lower boundary of the Achievement Range into which the Strategy Level divided by the Initial Strategy Level on a specified Rebalancing Date falls. The Highest Rung Achieved is the highest of the Strategy Rungs Achieved in relation to all Rebalancing Dates (up to and including the Final Rebalancing Date). If Autopilot Lock-in Percentage is defined as applicable, then such Highest Strategy Rung Achieved will be taken into consideration when determining the Cash Amount (if it is higher than the performance of the Strategy Level in relation to the Final Rebalancing Date).

CONDITIONS: GENERAL CONDITIONS

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 the Product Conditions.

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. In addition, for Securities listed on the SIX Swiss Exchange Ltd, the Issuer shall have the right but (without prejudice to the previous sentence) shall not be obliged to publish notices in electronic form on the internet website of the SIX Swiss Exchange Ltd http://www.six-exchange-regulation.com/publications/communiqués/official_notices_en.html if and so long as the Securities are listed on the SIX Swiss Exchange Ltd.
- (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 sub-paragraph (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, the 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 5, 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 other 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 of the Issuer (the holding company currently being The Royal Bank of Scotland Group plc, company number SC045551) (the “**Holding 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 or the Holding 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 been 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 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 (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 any non-contractual obligations arising out of or in connection with the Securities are governed by and shall be construed in accordance with 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

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 applicable 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 (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 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 has entered 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 does not assume any obligations or relationships of agency or trust to or with the Holders.

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.

CONDITIONS: PRODUCT CONDITIONS
RELATING TO ACTIVE INVESTMENT STRATEGY (AUTOPILOT) WARRANTS

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 Market Disruption Events**” means those events specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Agent**” means each of the Principal Agent and Agent(s), each as specified in the applicable Final Terms, and/or The Royal Bank of Scotland plc, Edinburgh, Zurich Branch, Lerchenstrasse 24, P.O. Box 2921, 8022 Zurich, Switzerland (the “**Swiss Agent**”), 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 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 the amount calculated in accordance with Product Condition 2(a);

“**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 5;

“**Commodity Index**” means each commodity index specified as such in the definition of the Basket in the relevant Series in the applicable Final Terms, subject to Product Condition 5:

“**Commodity Reference Price**” means, in respect of a 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 5, equal to the price of the Commodity 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;

“**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;

“**Entitlement**” means the amount specified as such in the definition of the relevant series in the applicable Final Terms, subject to adjustment in accordance with Product Condition 5;

“**Exchange**” means, (i) with respect to each 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, (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 Commodity 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 Commodity Index or its components, in each case as determined by the Calculation Agent, acting in good faith;

“**Exercise**” means a Holder's right to exercise the Securities, in accordance with Product Condition 4;

“**Exercise Date**” means, if the Securities are specified as European Style Securities in the definition of the relevant Series in the applicable Final Terms, the Expiration Date or, if the Securities are specified as American Style Securities in the definition of the relevant Series in the applicable Final Terms, any Business Day within the Exercise Period upon which the Notice is, or, as the case may be, is deemed to have been delivered to the Principal Agent in accordance with Product Condition 4;

“**Exercise Time**” means the time specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Expiration Date**” means the date 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 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 the percentage amount calculated in accordance with Product Condition 2(k);

“**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 5;

“**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 5(g), any Potential Fund Event and any Additional Fund Events 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 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**” means 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 5;

“**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 5;

“**Integral Multiple**” means the number specified as such 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 plc incorporated in Scotland with its statutory seat in Edinburgh;

“**Launch Date**” means the date 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 5, any Additional Market Disruption Event specified in the definition of the relevant Series in the applicable Final Terms and any Emerging Market Disruption Event;

“**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;

“**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;

“**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;

“**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 5 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 5;

“**Reference Price**” means: (i) in respect of an Index, an amount equal to the official closing level of the Index as determined by the Calculation Agent on a Trading Day and without regard to any subsequently published correction; and (ii) in respect of a Share, an amount equal to the official closing price on a Trading Day of the Share quoted on the relevant Exchange and without regard to any subsequently published correction as determined by or on behalf of the Calculation Agent (or if, in the opinion of the Calculation Agent, no such official closing price can be determined at such time and, if no Market Disruption Event nor Fund Event has occurred or is occurring on such Trading Day, an amount determined by the Calculation Agent in good faith to be equal to the arithmetic mean of the closing fair market buying price and the closing fair market selling price for the Share based, at the Calculation Agent’s discretion, either on the arithmetic mean of the foregoing prices or the middle market quotations provided to it by two or more financial institutions (as selected by the Calculation Agent) engaged in the trading of the Share or on such other factors as the Calculation Agent shall decide);

“**Related Exchange**” means in respect of each Commodity, Share, Index or 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 such Commodity, Share, Index or Fund are traded;

“**Relevant Currency**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the Strike 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 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 5(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 warrants specified in the applicable Final Terms and each such warrant 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 (which may be shares or units in exchange-traded funds) 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 5 and “**Shares**” shall be construed accordingly;

“**Share Company**” means the company specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 5;

“**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;

“**Strike Currency**” means the currency specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Strike Price**” means the percentage amount specified as such in the definition of the relevant series in the applicable Final Terms;

“**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; and

“**Trading Day**” means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, (i) with respect to each 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 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.

Terms in capitals which are not defined in these Product Conditions shall have the meanings ascribed to them in the General Conditions.

2. AUTOPILOT METHODOLOGY

This Product Condition 2 should be read in conjunction with the section of the Base Prospectus entitled “Autopilot Strategy”

(a) **Cash Amount.** The Cash Amount with respect to each Security shall be an amount determined by the Calculation Agent in accordance with the following formula, less Expenses:

(1) If the Securities are specified as Call Warrants in the definition of the relevant Series in the applicable Final Terms:

$(\text{Final Reference Price} - \text{Strike Price}) \times \text{Entitlement}$

- (2) If the Securities are specified as Put Warrants in the definition of the relevant Series in the applicable Final Terms:

$$(\text{Strike Price} - \text{Final Reference Price}) \times \text{Entitlement}$$

in both cases subject to a minimum of zero.

Where:

Final Reference Price means the percentage amount calculated in accordance with Product Condition 2(k).

Strike Price means the percentage amount specified as such in the definition of the relevant series in the applicable Final Terms.

Entitlement means the amount specified as such in the definition of the relevant series in the applicable Final Terms, subject to adjustment in accordance with Product Condition 5.

The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards.

- (b) **Autopilot Lock-in Percentage.** The Autopilot Lock-in Percentage is a percentage amount based upon the highest Strategy Level achieved on any Rebalancing Date up to and including the Final Rebalancing Date and shall be calculated as follows:

$$(\text{Lock-in Percentage} \times (\text{Highest Strategy Rung Achieved} - 100\%)) + 100\%$$

Where:

Strategy Level means the level of the Strategy as at each Rebalancing Date_(m) (**Strategy Level_(m)**) calculated in accordance with Product Condition 2(d).

Highest Strategy Rung Achieved means in respect of all Rebalancing Dates up to and including the Final Rebalancing Date, the highest Strategy Rung Achieved in respect of any such Rebalancing Date.

Strategy Rung Achieved means, in respect of any Rebalancing Date up to and including the Final Rebalancing Date, the lower boundary of the highest Achievement Range in which the Strategy Level divided by the Initial Strategy Level falls on such Rebalancing Date. For the avoidance of doubt, no matter where a Strategy Level falls within an Achievement Range, the Strategy Rung Achieved is always the lower boundary percentage of that Achievement Range.

Achievement Range means a percentage range equivalent to the Range Width measured from and including the lower boundary of that Achievement Range, to

but excluding the higher boundary of the Achievement Range. The first Achievement Range starts at 100 per cent.. For illustrative purposes only, if the Range Width is 10 per cent., then the first Achievement Range would be measured from and including 100 per cent. to but excluding 110 per cent.. The second Achievement Range would be measured from and including 110 per cent., to but excluding 120 per cent., and so on.

Range Width means the percentage specified in the definition of the relevant Series in the applicable Final Terms.

Lock-in Percentage means the percentage specified in the definition of the relevant Series in the applicable Final Terms.

- (c) **Final Strategy Level.** The Final Strategy Level shall either be (i) the Strategy Level on the Final Rebalancing Date or (ii) the arithmetic average of Strategy Levels determined over a specified number (N_{RBD}) of Rebalancing Dates up to and including the Final Rebalancing Date (the “**Asian Final Strategy Level**”), as specified in the definition of the relevant Series in the applicable Final Terms. If the Asian Final Strategy Level applies, it shall be calculated as follows:

$$\text{Final Strategy Level} = \frac{1}{N_{\text{RBD}}} \times \sum_{m=\text{Rebalance Count} - (N_{\text{RBD}} - 1)}^{\text{Rebalance Count}} \text{Strategy Level}_{\text{(RD(m))}}$$

Where:

N_{RBD} means the number of Rebalancing Dates that shall be taken into account in calculating the Final Strategy Level as specified in the definition of the relevant Series in the applicable Final Terms.

Rebalance Count means the total number of quarters, months or weeks (as applicable) from the Strike Date to the Expiration Date as stated in the definition of the relevant Series in the applicable Final Terms.

Strategy Level means the Strategy Level as at each Rebalancing Date_(m) (**Strategy Level**_(m)) calculated in accordance with Product Condition 2(d).

If a Rebalancing Date is postponed it is possible for the Rebalancing Date in respect of two or more dates to fall on the same calendar day. In such event, the Strategy in respect of such days shall be included as if they were separate values for the purpose of the formula above.

- (d) **Strategy Level.** The Strategy Level as at a Rebalancing Date is calculated by taking the Strategy Level as at the previous Rebalancing Date and multiplying it by the sum of (i) one and (ii) the Strategy Return as at the current Rebalancing Date. The value of Strategy

Level as at each Rebalancing Date_(m) (“**Strategy Level_{(RD(m))}**” or “**Strategy Level_(m)**”) shall be calculated as follows:

$$\text{Strategy Level}_{(RD(m))} = \text{Strategy Level}_{(RD(m-1))} \times (1 + \text{Strategy Return}_{(RD(m))})$$

Where:

Strategy Return means the Strategy Return at each Rebalancing Date_(m) (**Strategy Return_{(RD(m))}**) calculated in accordance with Product Condition 2(e).

The value of Strategy Level as at the Strike Date (“**Strategy Level₍₀₎**”) shall be 100 or such other value as is specified in the definition of the relevant Series in the applicable Final Terms (the “**Initial Strategy Level**”). The Strategy Level as at each Rebalancing Date can be obtained from the Strategy Level Information Source.

- (e) **Strategy Return.** The Strategy Return as at a Rebalancing Date is the arithmetic average of the Invested Return of each Basket as at such Rebalancing Date. The value of Strategy Return at each Rebalancing Date_(m) (“**Strategy Return_{(RD(m))}**”) shall be calculated as follows:

$$\text{Strategy Return}_{(RD(m))} = \frac{1}{N_{(B)}} \times \sum_{k=1}^{N_B} \text{IR}_{(k, RD(m))}$$

Where:

Invested Return means the Invested Return of Basket_(k) as at Rebalancing Date_{(RD(m))} (**IR_{(k, RD(m))}**) calculated in accordance with Product Condition 2(f).

N_(B) means the number of Baskets as set out in the definition of the relevant Series in the applicable Final Terms.

- (f) **Invested Return.** The Invested Return is the investor return in respect of a Basket as at a Rebalancing Date and shall be determined as follows:

- (1) if the price or level of a Basket on the Determination Date related to the previous Rebalancing Date was higher than its Moving Average on such Determination Date (calculated in accordance with Product Condition 2(g)), the Invested Return for such Basket will be equal to the lesser of (i) the Basket Value on the current Rebalancing Date divided by the Basket Value on the previous Rebalancing Date, minus 1 and (ii) the Cap;

i.e. if $BV_{(k, DD(m-1))} > MA_{(k, DD(m-1))}$ the value of the Invested Return in respect of Basket_(k) as at Rebalancing Date_(m) (“**Invested Return_{(k, RD(m))}**” or “**IR_{(k, RD(m))}**”) shall be determined as follows:

$$\text{Invested Return}_{(k, \text{RD}(m))} = \min \left[\frac{\text{BV}_{(k, \text{RD}(m))}}{\text{BV}_{(k, \text{RD}(m-1))}} - 1, \text{Cap} \right]$$

Where:

BV_{(k, RD(m))} means the Basket Value of each Basket_(k) as at Rebalancing Date_(m).

BV_{(k, RD(m-1))} means the Basket Value of each Basket_(k) as at Rebalancing Date_(m-1).

BV_{(k, DD(m-1))} means the Basket Value of each Basket_(k) as at Determination Date_(m-1).

Cap means the Monthly Cap on the Invested Return as set out in the definition of the relevant Series in the applicable Final Terms.

- (2) if the price or level of a Basket on the Determination Date related to the previous Rebalancing Date was lower than or equal to its Moving Average on such Determination Date (calculated in accordance with Product Condition 2(g)), the Invested Return for such Basket will be equal to the lesser of (i) the return on a notional cash deposit at the rate specified in the definition of the relevant Series in the applicable Final Terms (the “**Reserve Rate**”) and (ii) the Cap;

i.e. if $\text{BV}_{(k, \text{DD}(m-1))} \leq \text{MA}_{(k, \text{DD}(m-1))}$, the value of the Invested Return in respect of Basket_(k) as at Rebalancing Date_(m) (“**Invested Return**_{(k, RD(m))}”) shall be determined as follows:

$$\text{Invested Return}_{(k, \text{RD}(m))} = \min \left[\text{RR}_{(\text{RD}(m-1))} \times \left(\frac{\text{Act}}{\text{DCC}} \right), \text{Cap} \right]$$

Where:

RR_{(RD(m-1))} means the Reserve Rate as at Rebalancing Date_(m-1).

Act means the number of calendar days from and including Rebalancing Date_(m-1) to, but excluding, Rebalancing Date_(m).

DCC means the Invested Return day count fraction, being 360 (or such other number as is specified in the definition of the relevant Series in the applicable Final Terms).

Cap means the Monthly Cap on the Invested Return as set out in the definition of the relevant Series in the applicable Final Terms.

- (g) **Moving Average.** The Moving Average of a Basket is the average price or level of such Basket over a prior number of observation points (“**L**”) specified in the definition of the relevant Series in the applicable Final Terms in respect of such Basket. The number of

observation points (L) used to calculate the Moving Average may differ from Basket to Basket. The Moving Average of each Basket_(k) on a Determination Date_(m) (“**MA**_(k,m)”) shall be calculated according to the following formula:

$$MA_{(k, DD(m))} = \frac{1}{L_{(k)}} \sum_{i=1}^{L_{(k)}} BV_{(k, DD(m-L+i))}$$

Where:

L_(k) means the number of observation points used to determine the Moving Average of each Basket_(k), as set out in the definition of the relevant Series in the applicable Final Terms.

BV_{(k, DD(m-L+i))} means the Basket Value of each Basket_(k) on the Rebalancing Date_(m-L+i).

Negative values of (m) refer to Pre-Strike Rebalancing Dates or Pre-Strike Determination Dates, as the case may be, that occur prior to the Strike Date. For the avoidance of doubt, the Strike Date is the Rebalancing Date where m equals zero.

(h) **Basket Value.**

- (1) For the purpose of calculating the Basket Value to determine a Moving Average, the Basket Value is calculated on a Determination Date_(m) (“**BV**_{(k,DD(m))}”) according to the following formula:

$$BV_{(k, DD(m))} = BV_{(k, RD(m-1))} \times (1 + BR_{(k, DD(m))})$$

Where:

BV_{(k, RD(m-1))} means the Basket Value of Basket_(k) on Rebalancing Date_(m-1), where the Basket Value of Basket_(k) on Rebalancing Date_{(-(Lmax-1))} (“**BV**_{(k, RD(-(Lmax-1)))}”) is equal to 100.

Lmax means the highest numerical value of L_(k) compared across all Baskets.

L_(k) means the number of observation points used to determine the Basket Value of each Basket_(k), as set out in the definition of the relevant Series in the applicable Final Terms.

BR_{(k, DD(m))} means the Basket Return for Basket_(k) on Determination Date_(m).

- (2) For the purpose of calculating the Basket Value to determine the Invested Return, the Basket Value is calculated on a Rebalancing Date_(m) (“**BV**_{(k, RD(m))}”) according to the following formula:

$$BV_{(k, RD(m))} = BV_{(k, RD(m-1))} \times (1 + BR_{(k, RD(m))})$$

Where:

BV_{(k, RD(m-1))} means the Basket Value of Basket_(k) on Rebalancing Date_{(RD(m-1))}, where the Basket Value of Basket_(k) on Rebalancing Date_{(RD(-Lmax-1))} (**BV**_{(k, RD(-Lmax-1))}) is equal to 100

Lmax means the highest numerical value of L_(k) compared across all Baskets.

L_(k) means the number of observation points used to determine the Basket Value of each Basket_(k), as set out in the definition of the relevant Series in the applicable Final Terms.

BR_{(k, RD(m))} means the Basket Return for Basket_(k) on Rebalancing Date_(m).

- (i) **Basket Return.** Basket Return means:

- (1) in respect of a Determination Date_(m), the return for Basket_(k) on such Determination Date_(m) (“**BR**_{(k, DD(m))}”) calculated according to the following formula:

$$BR_{(k, DD(m))} = \sum_{U=1}^{N_{(k)}} W_U \times UR_{(U, DD(m))}$$

Where:

W_U means the Weight of each Underlying U in Basket_(k) as specified in the definition of the relevant Series in the applicable Final Terms, subject to adjustment in accordance with Product Condition 5.

UR_{U, DD(m)} means the Underlying Return from each Underlying comprised in Basket_(k) on Determination Date_(m).

N_(k) means the number of Underlyings in Basket_(k).

- (2) in respect of a Rebalancing Date_(m), the return for Basket_(k) on such Rebalancing Date_(m) (“**BR**_{(k, RD(m))}”) calculated according to the following formula:

$$BR_{(k, RD(m))} = \sum_{U=1}^{N_{(k)}} W_U \times UR_{(U, RD(m))}$$

Where:

W_U means the Weight of each Underlying U in Basket_(k) as specified in the definition of the relevant Series in the applicable Final Terms, subject to adjustment in accordance with Product Condition 5.

$UR_{(U, RD(m))}$ means the Underlying Return from each Underlying comprised in Basket_(k) on Rebalancing Date_(m).

$N_{(U, k)}$ means the number of Underlyings in Basket_(k).

(j) **Underlying Return.** Underlying Return means:

(1) in respect of a Determination Date_(m), the return from Underlying_(U) on such Determination Date_(m) (“ $UR_{(U, DD(m))}$ ”) calculated according to the following formula:

$$UR_{(U, DD(m))} = \left(\frac{UP_{(U, DD(m))}}{UP_{(U, RD(m-1))}} \right) - 1$$

Where:

$UP_{(U, DD(m))}$ means the Underlying Price of Underlying_(U) on Determination Date_(m).

$UP_{(U, RD(m-1))}$ means the Underlying Price of Underlying_(U) on Rebalancing Date_(m-1).

(2) in respect of a Rebalancing Date_(m), the return from Underlying_(u) on such Rebalancing Date_(m) (“ $UR_{(U, RD(m))}$ ”) calculated according to the following formula:

$$UR_{(U, RD(m))} = \left(\frac{UP_{(U, RD(m))}}{UP_{(U, RD(m-1))}} \right) - 1$$

Where:

$UP_{(U, RD(m))}$ means the Underlying Price of Underlying_(U) on Rebalancing Date_(m).

$UP_{(U, RD(m-1))}$ means the Underlying Price of Underlying_(U) on Rebalancing Date_(m-1).

(k) **Additional Definitions.**

“**Basket**” or “**Basket_(k)**” means each basket specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Determination Date_(m)**” means the Trading Day immediately preceding the Rebalancing Date_(m), provided that if in the opinion of the Calculation Agent a Market Disruption Event or Fund Event has occurred or is occurring on such Determination Date_(m), then, for each Underlying, the Determination Date_(m) shall be the immediately preceding Trading Day on which no Market Disruption Event nor Fund Event has occurred or is occurring for any Underlying;

“**Final Rebalancing Date**” means the date specified as such in the definition of the relevant Series in the applicable Final Terms; subject to Product Condition 5 below;

“**Final Reference Price**” means:

(i) if Autopilot Lock-in Percentage (as calculated in accordance with Product Condition 2(b)) is specified in the definition of the relevant Series in the applicable Final Terms as not applicable, the percentage equal to the Final Strategy Level (as calculated in accordance with Product Condition 2(c)) divided by the Initial Strategy Level (as calculated in accordance with Product Condition 2(d)); or

(ii) if Autopilot Lock-in Percentage (as calculated in accordance with Product Condition 2(b)) is specified in the definition of the relevant Series in the applicable Final Terms as applicable, the greater of the Autopilot Lock-in Percentage and the percentage calculated in accordance with paragraph (i) above,

in each case as determined by the Calculation Agent;

“**Pre-Strike Determination Date_(m)**” mean the Trading Day immediately preceding the Pre-Strike Rebalancing Date_(m), provided that if in the opinion of the Calculation Agent a Market Disruption Event or Fund Event has occurred or is occurring on such day in respect of any Underlying, then, for each Underlying, the Pre-Strike Determination Date_(m) shall be the immediately preceding Trading Day on which no Market Disruption Event nor Fund Event has occurred or is occurring for any Underlying;

“**Pre-Strike Rebalancing Date_(m)**” means, subject to Product Condition 5 below, each date specified as a Pre-Strike Rebalancing Date in the definition of the relevant Series in the applicable Final Terms;

“**Rebalancing Date**” or “**Rebalancing Date_(m)**” means, subject to Product Condition 5, each date specified as a Rebalancing Date in the definition of the relevant Series in the applicable Final Terms (and if such calendar day is not a Trading Day, the Rebalancing Date shall be the next following Trading Day). Negative values of m shall refer to Pre-Strike Rebalancing Dates;

“**Strategy Level Information Source**” means the information source specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Strike Date**” means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

“**Underlying**” means each underlying Commodity, Share, Fund (including, where the Fund is an exchange traded fund, the Reference Asset) or Index, as the case may be, as set out in the definition of the relevant Series in the applicable Final Terms, and “**Underlyings**” means each or all of the Commodities, Shares, Funds (including, where the Fund is an exchange traded fund, the Reference Assets) and Indexes as the case may be; and

“**Underlying Price**_(U,m)” means (i) in respect of an Underlying_(u) which is an Index or a Share, the Reference Price of such Underlying and (ii) in respect of an Underlying_(u) which is a Commodity, the Commodity Reference Price, on Trading Day_(t), without regard to any subsequently published correction (or, if the Calculation Agent determines that, as at such time, such rate is not displayed, as determined by the Calculation Agent in its absolute discretion).

3. FORM

- (a) Global Form. Except in the case of Securities issued in the form described in either Product Condition 3(b) or 3(c), the Securities will be issued in bearer form and 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 unit quantity of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the unit quantity 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 unit quantity 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.

- (c) SIX SIS Ltd as Clearing Agent. If SIX SIS Ltd is specified as the Clearing Agent, Securities will, as specified in the applicable Final Terms, be issued in the form of (i) dematerialised securities (the “**Dematerialised Securities**”) or (ii) a bearer permanent Global Security and, in either case, will be transformed into intermediated securities (the “**Intermediated Securities**”) in accordance with article 6 of the Swiss Federal Intermediated Securities Act (the “**FISA**”).

The Intermediated Securities will be created (i) by deposit of a Global Security with the Clearing Agent, acting as custodian as defined in article 4 FISA (the “**Custodian**”), or registration of Dematerialised Securities in the main register of the Clearing Agent, acting as Custodian, and (ii) the Clearing Agent, acting as Custodian, crediting the respective rights to securities accounts of one or more of its participants with the Clearing Agent in accordance with articles 4 and 6 FISA. For each issuance of Securities in the form of Dematerialised Securities, the Clearing Agent, acting as Custodian, will maintain the main register as defined in article 6 para. 2 FISA which is available to the public under <https://www.sec.sisclear.com/sec/cm/index/custody-settlement/mainregister.htm>.

Title to the Intermediated Securities is construed and will pass in accordance with the legislation, in particular the FISA, rules and regulations applicable to and/or issued by the Clearing Agent, acting as Custodian, and any other custodian, if any, that are in force and effect from time to time (the “**Rules**”). Accordingly, in these Conditions, the term “**Holder**” means any person recognised as a holder of the Intermediated Securities pursuant to the Rules.

The Holders shall at no time have the right to effect or demand (i) the retransformation of the Intermediated Securities into, and the delivery of, Dematerialised Securities in the case of Dematerialised Securities being the basis for the creation of Intermediated Securities, or (ii) the conversion of the Dematerialised Securities or the Global Security into definitive Securities.

4. RIGHTS AND PROCEDURES

- (a) Exercise. The Holder may Exercise the Securities in amounts divisible wholly by the Integral Multiple. The Securities are only exercisable on the Exercise Date. Any Securities with respect to which no Notice has been delivered in the manner set out in Product Condition 4(e) at or prior to the Exercise Time on the Exercise Date shall (i) if Automatic Exercise is specified in the definition of the Series in the applicable Final Terms, be deemed to be automatically exercised if (in the case of Call Warrants) the Final Reference Price is more than the Strike Price and (in the case of Put Warrants) the Strike Price is more than the Final Reference Price and (ii) if Automatic Exercise is not specified in the definition of the Series in the applicable Final Terms, be void. Cash

Settlement. Each Security upon due or, if applicable, deemed Exercise and subject to certification as to non-U.S. beneficial ownership entitles its holder to receive from the Issuer, on the Settlement Date, the Cash Amount.

- (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 the next following Payment Day and shall not be entitled to any interest or other payment in respect of such delay.
- (c) **General.** In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent and any Agent shall have any responsibility for any errors or omissions in the calculation of any Cash Amount.
- (d) **Notice.** All payments shall be subject to the delivery of a duly completed notice (a “**Notice**”) to a Clearing Agent with a copy to the Principal Agent or the Swiss Agent or, where the Securities are cleared through CREST, the Registrar with a copy to the Issuer. The form of the Notice may be obtained during normal business hours from the specified office of each Agent. A Notice shall:
 - (i) specify the number of Securities to which it relates;
 - (ii) specify the number of the account with the Clearing Agent or, where the Securities are cleared through CREST, the Operator and the Registrar to be debited with the Securities to which it relates;
 - (iii) irrevocably instruct and authorise the Clearing Agent or, where the Securities are cleared through CREST, the Operator and the Registrar to debit on or before the Settlement Date such account with such Securities;
 - (iv) specify the number of the account with the Clearing Agent or, where the Securities are cleared through CREST, the Operator and the Registrar to be credited with any Cash Amount;
 - (v) where the Securities are cleared through CREST, specify the account of the Holder and any such other details as may be required to enable receipt or delivery of any settlement in respect of any Securities other than in cash;
 - (vi) certify that neither the person exercising the Securities nor any person on whose behalf the Securities are being exercised 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

- (vii) authorise the production of such notice in any applicable administrative or legal proceedings.
- (e) Verification. In respect of each Notice, the relevant Holder must provide evidence to the Principal Agent or the Swiss 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.
- (g) Settlement. The Issuer shall pay or cause to be paid the Cash Amount (if any) for each Security with respect to which a Notice has been delivered to the account specified in the relevant Notice for value on the Settlement Date.
- (h) 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 a 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 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, in each case 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 the Swiss Agent or, where the Securities are cleared through CREST, at the time such correction is delivered to the Registrar as provided in the Conditions.

Except where Automatic Exercise is specified in the definition of the relevant Series in the applicable Final Terms and the Securities are automatically exercised in accordance with Product Condition 4(a), any Security with respect to which the Notice has not been duly completed and delivered in the manner set out above by the time specified in Product Condition 4(a) shall become void.

The Principal Agent or, where the Securities are cleared through CREST, the Registrar shall use its best efforts promptly to notify the relevant 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, none of 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.

- (i) **Delivery of a Notice.** Delivery of a Notice shall constitute an irrevocable election by the relevant Holder to exercise the Securities specified and no Notice may be withdrawn after receipt by a Clearing Agent or the Swiss Agent or, where the Securities are cleared through CREST, the Registrar as provided above. After the delivery of a Notice the Securities which are the subject of such notice may not be transferred.
- (j) **Exercise and Settlement Risk.** Exercise and 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, after using all reasonable efforts, 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.
- (k) **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.

- (l) 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.

5. 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 5(a), a “**Market Disruption Event**” means:

- (1) 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
- (2) Trading Suspension. The material suspension of trading on the Exchange or any Related Exchange; or
- (3) Disappearance of Price. The failure of trading to commence, or the permanent discontinuation of trading of the Commodity on the Exchange; or
- (4) Material Change in nature of or pricing method. The occurrence, since the Launch 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

- (5) Material Change in Content. The occurrence, since the Launch Date, of a material change in the content, composition of the Commodity; or
 - (6) 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
 - (7) 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 a Rebalancing Date and/or on each of the three Trading Days following a Rebalancing Date from what it would have been without that imposition, change or removal; or
 - (8) 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
 - (9) 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 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 5(b), 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.

- (c) 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 5(c), 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.

- (i) In this Product Condition 5(c), in respect of a Commodity Index, “Market Disruption Event” means, in relation to the Commodity Index or its components: **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 Rebalancing Date or Issuer Call Date, as the case may be, and/or on each of the three Trading Days following the Rebalancing 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 or Related 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.
- (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 5(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 5(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 5(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 Rebalancing 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 5(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 Rebalancing 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 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 Rebalancing 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 Reference Price of the Index using, in lieu of a published level for the relevant Index on the relevant Rebalancing 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 Rebalancing 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.

(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 5(g)(i)(E)(c)(I) above and in the case of this Product Condition 5(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 5(g)(i)(E)(a) through 5(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 subparagraphs (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 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) For the avoidance of doubt, the provisions of Product Condition 5(b), (d), (e), (g), (h) and (i) shall apply if “Exchange Traded Fund” is specified as “Applicable” in the applicable Final Terms.
- (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 5 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.

6. 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.

ADDITIONAL CONDITIONS

The following provisions shall, if applicable, amend the General Conditions and the Product Conditions (as appropriate) as described:

1. SECURITIES LISTED ON SEDEX

If the applicable Final Terms specify that the Securities are to be admitted to trading on the Electronic Securitised Derivatives Market (SeDeX) of Borsa Italiana S.p.A., the following amendments shall be deemed to be made to the General Conditions and/or the Product Conditions:

- (a) General Condition 3(a) is amended by deleting the following words in the second sentence: “less the cost to the Issuer of unwinding any related hedging arrangements”;
- (b) General Condition 5(b) is amended by deleting the following words in the second sentence: “or it has otherwise become undesirable, for any reason,” and by deleting the following words in the final sentence “may” and “but are not limited to,”;
- (c) General Condition 5(b)(i) is deleted and replaced with the words: “Intentionally left blank”;
- (d) General Condition 5(b)(ii) is deleted and replaced with the words: “Intentionally left blank”;
- (e) General Condition 5(b)(iv) is deleted and replaced with the words: “Intentionally left blank”;
- (f) General Condition 5(b)(v) is deleted and replaced with the words: “Intentionally left blank”;
- (g) General Condition 5(c)(i) is amended by deleting the following words in the second sentence: “less the cost to the Issuer of unwinding any related hedging arrangements”;
- (h) General Condition 5(d) is deleted and replaced with the words: “Intentionally left blank”;
- (i) General Condition 7(a) (ii) (iii) and (iv) are deleted in their entirety and replaced with the words: “Intentionally left blank”;
- (j) 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.”

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:

- (a) 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.”;
- (b) 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;
- (c) 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) Payments in respect of the Securities will be effected in the specified currency in accordance with Product Condition 4, except that for the purposes of Product Condition 4(c) or 4(d), as the case may be (entitled “Payment Day”), the Notice shall be delivered to the Issuing and Paying Agent. The APK record day (the “**APK Record Day**”) shall be either the third or fifth, or such other Business Day before the due date for payment, as specified in the definition of such term of the relevant Series in the applicable Final Terms;
- (iv) The address of Euroclear Finland is Urho Kekkosen katu 5C, PO BOX 1110, 00101 Helsinki, Finland;
- (v) 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;
- (vi) In respect of Shares listed on NASDAQ OMX Helsinki Oy/Ltd: “**Valuation Time**” means the time of calculation of the last stock exchange transaction price of at least one round lot of the Shares on the last trading date of the warrant during continuous trading on NASDAQ OMX Helsinki Oy/Ltd, including closing call at the end of the trading date and excluding ETF primary market trades, block trades, warrant execution trades and other corresponding trades in which the purchase price is not determined on market terms. However, should the closing call not result in transactions of at least one round lot, the Valuation Time will be the time at which the latest stock exchange transaction price of at least one round lot during continuous trading was quoted on NASDAQ OMX Helsinki Oy/Ltd prior to the closing call; and
- (vii) “**Valuation Time**” shall have the meaning specified in Product Condition 1, provided that for DAX® Index products it shall mean the time at which the Related Exchange publishes the Final Settlement Price for the Xetra intraday auction which currently starts at 13:00 CET.

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:

- (a) 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;

- (b) 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) Payments in respect of the Securities will be effected in the specified currency in accordance with Product Condition 4, except that for the purposes of the paragraph of Product Condition 4 entitled “Payment Day”, the Notice shall be delivered to the Issuing and Paying Agent. The VPS ASA record day (the “**VPS ASA Record Day**”) shall be either the third or fifth, or such other Business Day before the due date for payment, as specified in the definition of such term of the relevant Series in the applicable Final Terms;
 - (iii) The address of VPS ASA is P.O. Box 4, 0051, Oslo, Norway; and
 - (iv) 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

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:

- (a) 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.”;

- (b) 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; and
- (c) 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) Payments in respect of the Securities will be effected in the specified currency in accordance with Product Condition 4, except that for the purposes of the paragraph of Product Condition 4 entitled “Payment Day”, the Notice shall be delivered to the Issuing and Paying Agent. The Euroclear Sweden AB record day shall be the fifth Business Day before the due date for payment;
 - (iii) The address of Euroclear Sweden AB is Box 191, 101 23 Stockholm, Sweden; and
 - (iv) 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

DATED []

[THESE FINAL TERMS SUPERSEDE AND REPLACE THOSE DATED [] IN RELATION TO THE SECURITIES.]

[SERIES NUMBER]



The Royal Bank of Scotland plc

(incorporated in Scotland with limited liability under the Companies Acts 1948 to 1980

registered number SC090312)

[NUMBER] ACTIVE INVESTMENT STRATEGY (AUTOPILOT) [CALL][PUT] [WARRANTS]

[INDICATIVE] ISSUE PRICE: [] []

[SECURITIES WITH ROLLOVER FEATURE ADMITTED TO TRADING ON SCOACH SWITZERLAND LTD. AND LISTED ON SIX SWISS EXCHANGE LTD. ONLY:

THESE SECURITIES PROVIDE FOR A DYNAMIC STRUCTURE WITH REGARD TO AN ADJUSTMENT OF THE UNDERLYING] [SPECIFY OTHER]

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.

THE SECURITIES DO NOT CONSTITUTE UNITS OF COLLECTIVE INVESTMENT SCHEMES WITHIN THE MEANING OF THE SWISS FEDERAL ACT ON COLLECTIVE INVESTMENT SCHEMES ("CISA") AND ARE NOT SUBJECT TO THE APPROVAL OF, OR SUPERVISION BY THE SWISS FINANCIAL MARKET SUPERVISORY AUTHORITY ("FINMA"). HOLDERS OF THE SECURITIES ARE EXPOSED TO THE CREDIT RISK OF THE ISSUER.

[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/ (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 Active Investment Strategy (Autopilot) Warrants dated 29 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 office of the Issuer at 36 St Andrew Square, Edinburgh EH2 2YB, 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.

In respect of Securities to be listed on the SIX Swiss Exchange Ltd, the Programme, together with any Final Terms, will constitute the listing prospectus pursuant to the Listing Rules of the SIX Swiss Exchange Ltd.

*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 Warrants 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 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]
[SIX SIS Ltd]
[Euroclear UK and Ireland Limited (“CREST”)]
[Euroclear Sweden AB]
[Euroclear Finland]
[VPS ASA]
[Other]

Subscription Period: [] [Not Applicable]

Launch Date: []

Issue Date: []

Listing: [] [Application has been made by the Issuer (or on
its behalf) for the Securities to be listed on SIX Swiss
Exchange Ltd. and admitted to trading on Scoach
Switzerland Ltd.] [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 by the Issuer (or on its
behalf) for the Securities to be listed on SIX Swiss
Exchange Ltd. and admitted to trading on Scoach
Switzerland Ltd., provided that no assurance can be given
that the Securities will be admitted to trading on Scoach
Switzerland Ltd. or listed on SIX Swiss Exchange Ltd. on
the Issue Date or any specific date thereafter.] [Securities
listed on SIX Swiss Exchange Ltd. may be suspended
from trading in accordance with Article 57 of the SIX
Listing Rules or be de-listed from SIX Swiss Exchange
Ltd. during the lifetime of the Securities.] [Application
has been made for the Securities to be admitted to trading
on the Electronic Securitised Derivatives Market
(SeDeX) 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 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 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.][TBD] 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]
Indication of yield:	Not Applicable
Form of the Securities:	[Global Security] [Dematerialised form] [Global Security transformed into Intermediated Securities] (<i>Only applicable to Securities where the Clearing Agent is SIX SIS Ltd</i>)

[Dematerialised Securities transformed into Intermediated Securities] *(Only applicable to Securities where the Clearing Agent is SIX SIS Ltd)*

Ratings:

[Standard & Poor's Credit Market Services Europe Limited: [Not Applicable/specify]]

[Moody's Investors Service Limited: [Not Applicable/specify]]

[Fitch Ratings Limited: [Not Applicable/specify]]

[[The rating assigned to the Securities has been endorsed by: []

(delete if not applicable)

[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]

(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.)

(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.)

[Securities admitted to trading on Scoach Switzerland Ltd. and listed on SIX Swiss Exchange Ltd. only:]

[Delete the following sections if Securities will not be admitted to trading on Scoach Switzerland Ltd. and listed on SIX Swiss Exchange Ltd.]

First Trading Day:

[Specify other] [the Issue Date]

Last Trading Day:

[] [trading on Scoach Switzerland Ltd. until official close of trading on Scoach Switzerland Ltd. on that day]

Minimum Trading Size:

[]

Payment Day:

[Issue Date][Not Applicable]

Type of quoting (in case of interest component):

[flat/dirty trading or clean trading][not applicable]

Governing Law:

The Securities are subject to English law

Jurisdiction:

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

Swiss Agent:

The Royal Bank of Scotland plc, Edinburgh, Zurich Branch, Lerchenstrasse 24, P.O. Box 2921, CH-8022 Zurich, Switzerland, phone +41 44 285 58 58, fax +41 44 285 56 17

Recognised Representative for the purpose of Article 43 Listing Rules of the SIX Swiss Exchange Ltd:

The Royal Bank of Scotland plc, Edinburgh, Zurich Branch, Lerchenstrasse 24, P.O. Box 2921, CH-8022 Zurich, Switzerland, phone +41 44 285 58 58, fax +41 44 285 56 17

Paying Agent:

The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA, United Kingdom

Announcements to Holders / Publications:

Any notices or publications to be made to Holders will be made through the online information system of SIX Swiss Exchange Ltd., by publishing on SIX Swiss Exchange's website http://www.six-exchange-regulation.com/publications/communications/official_notices_en.html.

Issue Size of Series or Number of Securities

[].

Interest Ex-Date (in case of interest component):

[] [Not Applicable]

Type of quoting (in case of interest component):

[flat/dirty trading or clean trading] [Not Applicable]

Series:

Active Investment Strategy (Autopilot) [Call][Put] Warrants Series []

Issue Price:

[]

Additional Market Disruption Events:

[None] *[specify]*

Additional Fund Events:

[None] *[specify]*

Automatic Exercise:

[Applicable][Not Applicable]

Business Day:	[As stated in Product Condition 1] [<i>specify other</i>]
Business Day Convention:	[Modified Following][Following]
Call Warrants:	[Applicable][Not Applicable]
Emerging Market Disruption Events:	[As stated in Product Condition 1] [<i>specify other</i>]
Entitlement:	[]
Exchange:	[]
Exercise Time:	[12.00pm] Central European Time
Expiration Date:	[]
European Style:	Applicable
Reference Price:	[As stated in Product Condition 1] [<i>specify other</i>][Not Applicable]
Commodity Reference Price:	[As stated in Product Condition 1] [<i>specify other</i>]
Final Reference Price:	[As stated in Product Condition 1] [<i>specify other</i>]
Integral Multiple:	[]
Put Warrants:	[Applicable][Not Applicable]
Relevant Currency:	[As stated in Product Condition 1] [<i>specify other</i>]
Settlement Currency:	[]
Settlement Date:	[The [fifth] Business Day following the Final Rebalancing Date] [<i>specify other</i>]
Standard Currency:	[As stated in Product Condition 1] [<i>specify other</i>]
Strike Currency:	[]
Strike Price:	[]
Amendments to General Conditions and/or Product Conditions:	[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 to 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 to 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)

Trading Day: [As stated in Product Condition 1][specify other]

ISIN: []

Common Code: []

WKN: []

Valoren: []

Other Securities Code: [] [Symbol:]

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.

CASH AMOUNT – VARIABLES

Autopilot Lock-in Percentage: [Applicable][Not applicable].

Lock-in Percentage: [●] per cent.

Range Width: [●] per cent.

Rebalancing Dates: [Specify the Rebalancing Dates][The [●] calendar day in each month from and including [●] to and including [●] (the "**Final Rebalancing Date**")][The [●] calendar day in each month from and including [●] to and including [●] except that the Rebalancing Date in respect of the Strike Date is [●] and the final Rebalancing Date is [●] (the

	“ Final Rebalancing Date ”)].
Pre-Strike Rebalancing Dates:	[Specify the Rebalancing Dates] [to but excluding the Strike Date].
Strike Date:	[●].
Initial Strategy Level: (if not 100)	[●][Not Applicable].
Final Strategy Level:	[Strategy Level on the Final Rebalancing Date]/[Asian Final Strategy Level].
Strategy Level Information Source:	[●][<i>specify relevant Bloomberg or other information source</i>]
$N_{(RBD)}$:	[●][Not Applicable] [from and including [●] to and including the Final Rebalancing Date]. <i>(The number of Rebalancing Dates taken into account when calculating the Final Strategy Level. Only applicable if “Asian Final Strategy Level” applies).</i>
Rebalance Count:	[●].
Number of Baskets ($N_{(B)}$):	[●].
Details of Baskets:	See table below.
Monthly Cap:	[●] per cent.
Reserve Rate:	Reserve Rate means [●] published under Bloomberg Code [●] as at [specify time] [<i>specify relevant financial centre time zone</i>] [[<i>specify number of days</i>] [<i>specify financial centre</i>] Banking Days[s] prior to][on] the relevant Rebalancing Date for deposits of [<i>specify currency</i>] with a maturity of [●] month[s] commencing on the relevant Rebalancing Date (or, if the Calculation Agent determines that, as at such time, such rate is not displayed, as determined by the Calculation Agent in its absolute discretion).
DCC (if not 360):	[365][Other][Not Applicable].

INFORMATION ON THE UNDERLYINGS

Performance of Underlyings/formula/ other variable, explanation of effect on value of investment and associated risks and other information concerning the Underlyings:

[Need to include details of where past and future performance and volatility of the Underlyings/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 Underlyings 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 Underlyings and their 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:

Active Investment Strategy (Autopilot) [Call][Put] Warrants Series []

[repeat as above for each new Series]

BASKETS AND UNDERLYINGS

Basket _(k)	The number of observation dates used for each Basket _(k) Moving Average (L _(k))	Underlying _(u)	The Weight of each Underlying _(u) (W _(u))	Name of Underlying	Type (Index, Commodity Index, Share or Commodity)	Share Company	Information Source	Exchange	Related Exchange
k = 1	[•]	u = 1	[•]	[•]	["Commodity"] ["Commodity Index"] ["Index"] ["Share"] ["Fund"] [<i>Where the Fund is an exchange traded Fund, include details of the Reference Asset</i>] [<i>specify each Underlying and Bloomberg Code</i>]	[Specify][Not Applicable]	[•] [•]	[•]	[•] [All Exchanges]
k = 1	[•]	u = 2	[•]	[•]	[•]	[Specify][Not Applicable]	[•] [•]	[•]	[•] [All Exchanges]
k = 1	[•]	u = 3	[•]	[•]	[•]	[Specify][Not Applicable]	[•] [•]	[•]	[•] [All Exchanges]
k = 2	[•]	u = 3	[•]	[•]	[•]	[Specify][Not Applicable]	[•] [•]	[•]	[•] [All Exchanges]
k = 3	[•]	u = 4	[•]	[•]	[•]	[Specify][Not Applicable]	[•] [•]	[•]	[•] [All Exchanges]
k = 4	[•]	u = 5	[•]	[•]	[•]	[Specify][Not Applicable]	[•]	[•]	[•] [All Exchanges]

k = [●] [●] u = [●] [●] [●] [●] [Specify][Not
Applicable] [●] [●] [●] [All
Exchanges]

Basket

k=1

k=2

k=3

k=4

k=[●]

Exchange Traded Fund:

[Applicable][Not Applicable]

[•] Banking Day:

[•] Banking Day means a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in [•].

[The following shall be applicable to all Final Terms.]

NO SIGNIFICANT CHANGE AND NO MATERIAL ADVERSE CHANGE

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

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 both the AFM and the SIX Swiss Exchange.

[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 plc (the “**Responsabile del Collocamento**”) and through any other bank which The Royal Bank of Scotland plc might appoint and indicate on the website 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, into the components 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]*

(Insert the following where the Securities are listed on SeDeX)

[Annex

Modulo - Dichiarazione di rinuncia all'esercizio

(Facsimile)

“ [INSERIRE LA DENOMINAZIONE DEL SECURITY IN RELAZIONE AL QUALE SI INTENDE RINUNCIARE ALL'ESERCIZIO]"

I termini in lettere maiuscole avranno il significato a loro attribuito nelle General Conditions e nelle Product Conditions relative ai securities in oggetto

La presente dichiarazione deve essere compilata a cura del portatore dei securities in oggetto.

A *[Intermediario presso cui il portatore detiene il proprio conto]*

Nome e Ragione/denominazione sociale dell'Intermediario

[Att: Nome del responsabile dell'ufficio titoli]

[numero di fax – ufficio titoli]

A BNP Paribas, Filiale di Milano

Corporate Actions

Tel: (+39) 02 7247 4625

Fax: (+39) 02 7247 4260

Copia a:

The Royal Bank of Scotland plc
Att.ne di Mark Tyson/Valentina Milano
Tel.: +44 (0) 207 678 1543
Fax: + 44 (0) 207 678 1051

“ [INSERIRE LA DENOMINAZIONE DEL SECURITY IN RELAZIONE AL QUALE SI INTENDE RINUNCIARE ALL’ESERCIZIO]” (di seguito, Securities)

Il sottoscritto portatore (di seguito, il “Portatore”) con la presente dichiara:

- A. di rinunciare in modo irrevocabile all’esercizio dei Securities con le caratteristiche di seguito descritte;
- B. di essere consapevole che la presente Dichiarazione di Rinuncia non sarà ritenuta valida laddove non vengano rispettate le condizioni delle General Conditions e delle pertinenti Product Conditions, in particolare laddove la presente Dichiarazione di Rinuncia non pervenga nei termini indicati alla voce [*Insert the title of the section where the following wording shall be contained in the BP: ‘Renunciation of payment of the Cash Amount’*] dei Final Terms relativi ai Securities. Inoltre, la presente Dichiarazione di Rinuncia non é da considerarsi valida nel caso in cui non siano identificati correttamente i Securities, di cui il Portatore intende rinunciare all’esercizio.

(Il Portatore dei Securities)

(Cognome e nome o ragione/denominazione sociale)

(Via e numero civico)

(Comune, provincia)

(Telefono)

Serie dei Securities

Codice ISIN dei Securities

Numero dei Securities, di cui si rinuncia all’esercizio.

Il Portatore dei Securities accetta che la presente dichiarazione venga presentata ad enti ed altri uffici pubblici (anche fuori dalla Repubblica Italiana).

Luogo e data

Sottoscrizione (sottoscrizioni) del Portatore dei Securities