

PROSPECTUS

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**The Royal Bank of Scotland N.V.**  
*(incorporated in The Netherlands with its statutory seat in Amsterdam)*

**189,000 SECURITIES LINKED TO THE  
BANKHAUS JUNGHOLZ GLOBALSTRATEGIE I**

**ISIN: NL0000211449**

**ISSUE DATE: 27 FEBRUARY 2004**

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PROSPECTIVE PURCHASERS OF THE SECURITIES LINKED TO THE BANKHAUS JUNGHOLZ GLOBALSTRATEGIE I (THE "SECURITIES") ISSUED ON 27 FEBRUARY 2004 BY THE ROYAL BANK OF SCOTLAND N.V. (FORMERLY NAMED ABN AMRO BANK N.V.) ACTING THROUGH ITS LONDON BRANCH (THE "ISSUER") 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 PROSPECTUS AND IN THE REGISTRATION DOCUMENT FOR A MORE COMPLETE EXPLANATION OF THE RISKS ASSOCIATED WITH AN INVESTMENT IN THE SECURITIES.

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## SUMMARY

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*This summary must be read as an introduction to this Prospectus and any decision to invest in any Securities should be based on a consideration of this 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 Prospectus. Where a claim relating to information contained in this 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 Prospectus before the legal proceedings are initiated.*

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

**Issuer:**

The Royal Bank of Scotland N.V. (formerly named ABN AMRO Bank N.V.) (the “**Issuer**” or “**RBS N.V.**”) acting through its London branch at 250 Bishopsgate, London, EC2M 4AA.

**History and  
Incorporation:**

RBS N.V. is a public limited liability company incorporated under Dutch law on 7 February 1825. RBS N.V. is registered in the Trade Register of Amsterdam under number 33002587. RBS N.V.’s registered office is at Gustav Mahlerlaan 350 17A90, 1082 ME Amsterdam, The Netherlands.

RBS N.V. is a wholly-owned subsidiary of RBS Holdings N.V. (formerly named ABN AMRO Holding N.V.) (“**RBS Holdings**”), which is a public limited liability company incorporated under Dutch law on 30 May 1990. The registered office of RBS Holdings is at Gustav Mahlerlaan 350 17A90, 1082 ME Amsterdam, The Netherlands.

RBS Holdings has one subsidiary, RBS N.V., and RBS N.V. has various subsidiaries.

As used herein, the “**Group**” refers to RBS Holdings and its consolidated subsidiaries. The term “**RBSG**” refers to The Royal Bank of Scotland Group plc and the “**RBSG Group**” refers to RBSG and its subsidiaries consolidated in accordance with International Financial Reporting Standards. The term “**RBS**” refers to The Royal Bank of Scotland plc and the “**RBS Group**” refers to RBS and its subsidiaries consolidated in accordance with International Financial

## Reporting Standards.

### Overview:

The Issuer is a bank licensed and regulated by the Dutch Central Bank (*De Nederlandsche Bank*).

The Issuer operates on a significant scale across Europe, the Middle East and Africa (EMEA), the Americas and Asia. The Group had total assets of €200.4 billion and owner's equity of €4.95 billion as at 31 December 2010. As at 31 December 2010, the Group's capital ratios were a total capital ratio of 15.8 per cent., a Core Tier 1 capital ratio of 8.7 per cent. and a Tier 1 capital ratio of 11.0 per cent.

The Group had total consolidated assets of €206.7 billion as at 30 June 2011. As at 30 June 2011, the Group's Tier 1 and Core Tier 1 capital ratios were 9.6 per cent. and 7.4 per cent., respectively.

RBS Holdings and RBS N.V. form part of the RBSG Group. RBSG is the holding company of a large global banking and financial services group. Headquartered in Edinburgh, the RBSG Group operates in the United Kingdom, the United States and internationally through its three principal subsidiaries, RBS, National Westminster Bank Public Limited Company ("**NatWest**") and RBS N.V. Both RBS and NatWest are major United Kingdom clearing banks. In the United States, the RBSG Group's subsidiary Citizens 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 RBSG Group had total assets of £1,446.0 billion and owners' equity of £74.7 billion as at 30 June 2011. As at 30 June 2011, the RBSG Group's capital ratios were a total capital ratio of 14.4 per cent., a Core Tier 1 capital ratio of 11.1 per cent. and a Tier 1 capital ratio of 13.5 per cent.

The RBS Group had total assets of £1,299.7 billion and owners' equity of £56.9 billion as at 30 June 2011. As at 30 June 2011, the RBS Group's capital ratios were a total capital ratio of 14.0 per cent., a Core Tier 1 capital ratio of 8.7 per cent. and a Tier 1 capital ratio of 10.6 per cent.

### Group Organisational

The Group comprises of the following four segments:

**Structure:**

- **Global Banking & Markets (“GBM”):** The GBM segment represents the business providing an extensive range of debt and equity financing, risk management and investment services as a leading banking partner to major corporations and financial institutions around the world. The GBM business within the Group is organised along four principal business lines: Global Lending, Equities, Short Term Markets & Funding and Local Markets.
- **Global Transaction Services (“GTS”):** GTS provides global transaction services, offering Global Trade Finance, Transaction Banking and International Cash Management.
- **Central Items:** The Central Items segment includes group and corporate functions, such as treasury, capital management and finance, risk management, legal, communications and human resources. Central Items manages the Group’s capital resources, statutory and regulatory obligations and provides services to the branch network.
- **Non-Core Segment:** The Non-Core segment contains a range of businesses and asset portfolios managed separately that the Group intends to run off or dispose of, in line with the RBSG Group strategy for Non-Core assets. It also includes the remaining assets and liabilities in RBS N.V. that have not yet been sold, wound down or alternatively transferred by the Consortium Members (as defined below), in which each of the Consortium Members has a joint and indirect interest.

Global Banking & Markets, Global Transaction Services and Central Items comprise the Group’s Core segments.

These RBS N.V. businesses are part of global business units of the RBSG Group that operate across multiple legal entities. The strategy of RBS N.V. is part of the overall business strategy of the RBSG Group. RBS Holdings has been restructured into Core and Non-Core components. The RBSG Group expects to substantially run down or dispose of the businesses, assets and portfolios within the Non-Core division by 2013 and has completed the sale of businesses in Latin

America, Asia, Europe and the Middle East.

**Separation from the ABN  
AMRO Group:**

On 17 October 2007, RFS Holdings B.V. ("**RFS Holdings**"), which at the time was owned by RBSG, Fortis N.V., Fortis S.A./N.V., Fortis Bank Nederland (Holding) N.V. and Banco Santander, S.A. ("**Santander**"), completed the acquisition of ABN AMRO Holding N.V., which was renamed RBS Holdings N.V. on 1 April 2010 when the shares in ABN AMRO Bank N.V. were transferred to ABN AMRO Group N.V., a holding company for the interests of the State of The Netherlands (the "**Dutch State**"). This marked a substantial completion of the restructuring of the activities of ABN AMRO Holding N.V. in accordance with the agreement between RBSG, the Dutch State and Santander (the "**Consortium Members**"). RBS Holdings has one direct subsidiary, RBS N.V., a fully operational bank within the Group, which is independently rated and regulated by the Dutch Central Bank.

On 31 December 2010, the share capital of RFS Holdings was amended, such that approximately 98 per cent. of RFS Holdings' issued share capital is now held by RBSG, with the remainder being held by Santander and the Dutch State. Ultimately it is expected that RFS Holdings will become a wholly-owned subsidiary of RBSG.

**Proposed transfer of  
activities:**

On 19 April 2011, the Boards of RBSG, RBS, RBS Holdings and RBS N.V. announced that they had approved the proposed transfers of a substantial part of the business activities of RBS N.V. to RBS (the "**Proposed Transfers**"), subject, amongst other matters, to regulatory and other approvals, further tax and other analysis in respect of the assets and liabilities to be transferred and employee consultation procedures.

It was also announced that it was expected that the Proposed Transfers would be implemented on a phased basis over a period ending 31 December 2013 and that a large part of the Proposed Transfers (including the transfers of certain securities issued by RBS N.V.) was expected to have taken place by the end of 2012. Where available and practicable, statutory transfer schemes will be used to implement the Proposed Transfers. Subject to internal approvals, it is expected that these will include a banking business transfer scheme in respect of

eligible business carried on by RBS N.V. pursuant to Part VII of the UK Financial Services and Markets Act 2000 (the “**Part VII Scheme**”). Implementation of the Part VII Scheme will be subject (amongst other matters) to court and regulatory approval. In advance of that, certain disclosure relating to RBS has been incorporated by reference in this Prospectus.

On 21 July 2011, RBS and RBS N.V. announced details of the RBS N.V. securities in respect of which RBS is expected to become the issuer as a result of the Part VII Scheme. It has been indicated that RBS is expected to become the issuer of the Securities described in this Prospectus as a result of the Part VII Scheme (subject to the Securities not having been exercised, redeemed or repurchased and cancelled prior to the implementation of the Part VII Scheme).

On 22 July 2011, RBS and RBS N.V. announced that they presented a petition to the Court of Session in Scotland (the Court) on 21 July 2011 for an order under Part VII of the UK Financial Services and Markets Act 2000 to sanction the Part VII Scheme. Subject to regulatory approval and provided the Court makes an order sanctioning the Part VII Scheme, it is expected that the Part VII Scheme will become effective on 17 October 2011 or such other date as RBS and RBS N.V. may agree in writing. The boards of RBS and RBS N.V. also announced on 22 July 2011 (i) the proposed amendments to be made to the terms of securities in respect of which RBS is expected to become the issuer as a result of the Part VII Scheme (the Part VII Securities) and to agreements RBS N.V. has entered into related to such securities in order to give effect to the Part VII Scheme and, amongst other matters, to mitigate certain potential adverse effects on holders of securities of RBS N.V. and (ii) certain restrictions which are proposed to be placed on RBS in relation to the Part VII Securities.

On 23 September 2011, RBS and RBS N.V. announced that the Court of Session in Scotland had pronounced an order under Part VII of the UK Financial Services and Markets Act 2000 sanctioning the implementation of a banking business transfer scheme whereby the Securities (amongst others) would be transferred to The Royal Bank



of Scotland plc pursuant to the Part VII Scheme. The Part VII Scheme is expected to take effect on 17 October 2011.

**Risk Factors:**

*Risks Relating to the Issuer*

**PART A: In relation to RBS N.V.**

Certain factors may affect RBS N.V.'s ability as Issuer to fulfil its obligations under the Securities, including:

- The Group is reliant on the RBSG Group.

Prospective investors should note that the Group is subject to certain risks specific to the RBSG Group including, without limitation, instability in the global financial markets, lack of liquidity, depressed asset valuations, geopolitical conditions, full nationalisation and other resolution procedures under the Banking Act 2009 and risks related to the entry into the asset protection scheme.
- 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.
- An extensive restructuring and balance sheet reduction programme of the RBSG Group is ongoing and may adversely affect the Group's business, results of operations, financial condition, capital ratios and liquidity and may also negatively impact the value of securities issued by RBS Holdings and RBS N.V..
- The execution and/or any delay in the execution (or non-completion) of 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 and may also negatively impact the value of securities issued by RBS Holdings and RBS N.V..
- Lack of liquidity is a risk to the Group's business and there is a risk that the Group's ability to access sources of liquidity and funding could become constrained.
- The financial performance of the Group has been materially

affected by deteriorations in borrower and counterparty credit quality and it may continue to be impacted by any further deteriorations, including as a result of 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.
- 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 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 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.
- As a condition to the RBSG Group receiving HM Treasury support, the Group is prohibited from making discretionary coupon payments on, and exercising call options in relation to, certain of its existing hybrid capital instruments, which may impair the Group's ability to raise new capital through the issuance of Securities.
- The Group could fail to attract or retain senior management, which may include members of the Group's Supervisory Board and Managing 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 is and may be subject to litigation and regulatory investigations that may impact its business.
- The Group may be required to make further contributions to its pension schemes if the value of pension fund assets is not sufficient to cover potential obligations.
- The Group is subject to enforcement risks relating to the United States Department of Justice's criminal investigation of its dollar clearing activities.
- The legal demerger of ABN AMRO Bank N.V. (as it was then named) has resulted in a cross liability that changes the legal recourse available to investors.
- Operational risks are inherent in the Group's businesses.
- The Group's operations have inherent reputational risk.
- 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.
- Risks relating to the Asset Protection Scheme and the Contracts.
- The extensive governance, asset management and information requirements under the Scheme Conditions, which the Group is required to comply with, or to ensure that RBS can comply with, pursuant to the Contracts may have an adverse impact on the Group. In addition, any changes or modifications to the Scheme Conditions may have a negative impact on the expected benefits of the Contracts and may have an adverse impact on the Group.

- Any changes to the expected regulatory capital treatment of the Contracts may negatively impact the Group's capital position.
- Fulfilling the disclosure obligations of the Group under the Contracts may give rise to litigation and regulatory risk.

#### **PART B: In relation to RBS**

If RBS becomes the issuer of Securities as a result of the Part VII Scheme (as described above), then certain factors may affect RBS' ability to fulfil its obligations under the Securities, including:

- RBSG and its United Kingdom bank subsidiaries may face the risk of full nationalisation or other resolution procedures under the Banking Act 2009.
- Various actions may be taken under the Banking Act 2009 in relation to any securities issued by RBS without the consent of the holders thereof.
- The Independent Commission on Banking has published its final report on competition and possible structural reforms in the UK banking industry. The implementation of the recommendations included in the final report could have a material adverse effect on the RBSG Group.
- The RBSG 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 RBSG 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 RBSG Group's ability to raise new Tier 1 capital.
- 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 RBSG Group.
- The RBSG Group's ability to implement its strategic plan

depends on the success of the RBSG Group's refocus on its core strengths and its balance sheet reduction programme.

- Lack of liquidity is a risk to the RBSG Group's business and there is a risk that the RBSG Group's ability to access sources of liquidity and funding could become constrained.
- The financial performance of the RBSG Group has been materially affected by deteriorations in borrower and counterparty credit quality and it may continue to be impacted by any further deteriorations, including as a result of prevailing economic and market conditions, and legal and regulatory developments.
- The RBSG 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 RBSG 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 RBSG Group's business and results of operations.
- The RBSG 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 RBSG 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 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 RBSG Group operates in markets that are highly competitive and its business and results of operations may be adversely affected.
- The RBSG 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 RBSG 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 RBSG Group conducts its business and on its results of operations and financial condition.
- The RBSG Group is and may be subject to litigation and regulatory investigations that may impact its business.
- The RBSG Group's results have been and could be further materially adversely affected in the event of goodwill impairment.
- The RBSG 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 RBSG Group's businesses.
- HM Treasury (or UKFI on its behalf) may be able to exercise a significant degree of influence over the RBSG Group and any proposed offer or sale of its interests may affect the price of the Securities.
- The RBSG Group's operations have inherent reputational risk.
- In the United Kingdom and in other jurisdictions, the RBSG 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 RBSG Group depends on the RBSG Group's ability to generate sufficient future taxable profits

and there being no adverse changes to tax legislation, regulatory requirements or accounting standards.

- The RBSG Group's participation in the asset protection scheme is costly and may not produce the regulatory capital benefits expected and the occurrence of associated risks may have a material adverse impact on the RBSG Group's business, capital position, financial condition and results of operations.
- The extensive governance, asset management and information requirements under the scheme conditions and any changes or modifications to the scheme conditions may have a negative impact on the expected benefits of the asset protection scheme and may have an adverse impact on the RBSG Group.
- Any changes to the expected regulatory capital treatment of the asset protection scheme, the B shares and the contingent B shares may negatively impact the RBSG Group's capital position.
- The costs of the asset protection scheme may be greater than the benefits received by the RBSG Group and the fair value of the asset protection scheme can impact the RBSG Group's results of operations.
- Participation in the asset protection scheme may result in greater tax liabilities for the RBSG Group and the loss of potential tax benefits.
- Participation in the asset protection scheme may give rise to litigation and regulatory risk.
- RBS has entered into a credit derivative and a financial guarantee contract with RBS N.V. which may adversely affect the RBS Group's results.
- If the RBSG Group is unable to issue the contingent B shares to HM Treasury, it may have a material adverse impact on the RBSG Group's capital position, liquidity, operating results and future prospects.

#### *Risks Relating to the Securities*

Certain factors represent risks inherent in investing in the Securities

issued, including:

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



- The Issuer and/or its affiliates may enter into transactions or carry out other activities in relation to the Underlying which may affect the market price, liquidity or value of the Underlying and/or the Securities in a way which could be adverse to the interests of each holder of the Securities (each, a “**Holder**” and together, the “**Holders**”).
- The Issuer’s hedge position (if any) in the jurisdiction of the Reference Component comprised in the Underlying could be impacted by foreign exchange control restrictions. In certain circumstances, including the insolvency of the hedging counterparty or the unenforceability of the associated hedging transaction (if any), the investor may lose some or all of its investment.
- The Securities convey no interest in the Underlying or any of the Reference Components comprised in the Underlying to the investors. The Issuer may choose not to hold any of the Reference Components comprised in the Underlying or any derivative contracts linked to any of the Reference Components comprised in the Underlying.
- The Calculation Agent is the agent of the Issuer and not the Holders. The Calculation Agent may make adjustments as a result of certain corporate actions affecting the Underlying. In making such adjustments, the Calculation Agent is entitled to exercise substantial discretion and may be subject to conflicts of interest.
- The Issuer may limit the number of Securities exercisable on any date (other than the final exercise date) or by any person on any date. An investor may have to tender a specified minimum number of the Securities in order to exercise the Securities.
- There may be a delay between the time of exercise of the Securities and the determination of the amount payable following such exercise or the time of physical settlement following such exercise. Such delay may increase or decrease the return from the Securities.
- 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 Security.
- 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.
- The Securities are held in global or dematerialised form by or on behalf of a clearing system and 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.

**Guarantor:** RBS Holdings pursuant to its declaration under Article 2:403 of the Netherlands Civil Code.

**Principal Agent and Calculation Agent:** RBS N.V., acting through its London branch at 250 Bishopsgate, London EC2M 4AA.

**Listing:** The Securities have not been listed on any exchange and it is not intended to apply for admission to trading on any regulated market.

**Terms and Conditions of the Securities:** The applicable terms and conditions of the Securities are as set out in the general conditions set forth under "General Conditions" (the "**General Conditions**") and in the securities-specific product conditions set forth under "Product Conditions" (the "**Product Conditions**"). The Securities are represented by a Global Security. The General Conditions and the securities-specific Product Conditions have been attached to the Global Security representing the relevant tranche of Securities. The General Conditions and the Product Conditions applying to the Securities are referred to as "**Conditions**".

**Description of the Securities and the Cash Amount:** The Securities are open-ended investment instruments linked to the underlying Bankhaus Jungholz Globalstrategie I strategy (the "**Underlying**", as described below) which, when exercised or terminated in accordance with their Conditions, pay an amount (which shall be deemed to be a monetary value in the Settlement Currency) equal to:

1. Following Exercise, the value of the Strategy as determined by the Strategy Sponsor at the Valuation Time on the Valuation Date; or
2. Following an Issuer Call, the value of the Strategy as determined by the Strategy Sponsor at the Valuation Time on the Valuation Date.

**Underlying:**

The Bankhaus Jungholz Globalstrategie I (the “**Strategy**”). The Strategy is an actively managed long only strategy designed to be linked notionally to a dynamic basket of mutual funds which invest up to a maximum of 30% in equity instruments and the remaining in fixed income instruments.

While the Strategy Advisor and RBS N.V., London Branch in its capacity as Strategy Sponsor have agreed to observe certain composition guidelines for selecting and maintaining the various assets included in the Strategy, these guidelines are not mandatory rules and the Strategy Advisor is not required to follow these guidelines and may, for a variety of reasons, choose not to follow these guidelines.

**Strategy Advisor:**

Bankhaus Jungholz der Raiffeisenbank Reutte reg.Gen.m.b.H., Zweigniederlassung Jungholz, Austria.

**Issue Date:**

27 February 2004. The securities have already been offered on a private placement basis prior to the date of the Prospectus. It is now intended to offer them to the public in Germany and Austria.

**Issue Price per Security on the Issue Date:**

EUR 1,000.

**Valuation Date:**

In case of (i) an Issuer Call, the Issuer Call Date or (ii) upon Exercise, the Exercise Date.

**Valuation Time:**

The time with reference to which the Strategy Sponsor calculates the daily Strategy Value.

**Issuer Call Date:**

The day specified as such in the notice in which the Issuer notifies the

Holders of an Issuer Call, which must be at least 12 calendar months following the date of notification. The day such notice is delivered by the Issuer can be, at the earliest, one year after the Issue Date.

<b>Exercise Date:</b>	The third Business Day preceding the next Scheduled Valuation Date.
<b>Maturity:</b>	Open-end
<b>Scheduled Valuation Date:</b>	The 28th of February in each year or, if such date is not a Trading Day the following Trading Day from and including 28th of February 2005.
<b>Entitlement:</b>	1 Security relates to 1 unit of the Strategy Value
<b>Interest:</b>	The Securities are not interest bearing.
<b>Settlement Currency:</b>	EUR.
<b>Settlement:</b>	Cash.
<b>Squeeze out:</b>	The Issuer may terminate the Securities at any time with a notice period of three month if by 28th February 2005 or thereafter for a continuous three month period the total aggregate outstanding principal amount of all securities linked to the Bankhaus Jungholz Globalstrategie I, Bankhaus Jungholz Globalstrategie II (ISIN: NL0000211456) and Bankhaus Jungholz Globalstrategie III (ISIN: NL0000211464) sold or otherwise transferred to parties other than the issuer thereof or any of its affiliates does not exceed EUR 15 million.
<b>General Conditions:</b>	Set out below is a summary of certain significant provisions of the General Conditions applicable to the Securities.
<i>Status of the Securities:</i>	The Securities constitute unsecured and unsubordinated obligations of the Issuer and rank pari passu among themselves and with all other present and future unsecured unsubordinated obligations of the Issuer save for those preferred by mandatory provisions of law.
<i>Early Termination:</i>	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.

*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 of the Issuer:*

The Issuer may at any time, without the consent of the Holders of the Securities, 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 any entity (the "Substitute"), provided that the conditions relating thereto as set forth in General Conditions (including a notice to the Holders of the Securities) have been fulfilled.

*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.

**Product Conditions:**

Set out below is a summary of certain significant provisions of the

Product Conditions applicable to the Securities.

<i>Form of Securities:</i>	The Securities are bearer securities which are represented by a global bearer security (the “ <b>Global Security</b> ”) deposited with the Clearing Agent (as defined below under “ <b>Clearing Agents</b> ”), and will be transferable only in accordance with the applicable law and the rules and procedures of the Clearing Agent (as defined below under “ <b>Clearing Agents</b> ”) through whose systems the Securities are transferred.
<i>Clearing Agents:</i>	Clearstream Banking AG (“ <b>CBF</b> ”) and Euroclear Bank S.A./N.V. as operator of the Euroclear system (“ <b>Euroclear</b> ”) and/or any other or further Clearing Agent(s).
<i>Exercise of the Securities:</i>	<p>The Securities may be exercised on any Exercise Date.</p> <p>Payments are subject to delivery of a certification by the Holder. Any such certification or notice has to contain the information set forth in the Product Conditions, among others, a statement that the Holder is neither a U.S. person nor a person within the United States.</p>
<i>Paying Agent, Principal Paying Agent and Calculation Agent:</i>	The Royal Bank of Scotland N.V. (formerly named ABN AMRO Bank N.V.), London branch, 250 Bishopsgate, London, EC2M 4AA
<i>Settlement of Securities:</i>	Securities will be cash-settled.
<i>Market Disruption Event</i>	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 4.
<i>Adjustment Event:</i>	If a Adjustment Event occurs the Calculation Agent may adjust one or more of the Conditions to account for the diluting or concentrative effect of the Adjustment Event. Adjustment Events are defined in Product Condition 4.
<i>Governing Law:</i>	English law.
<i>English courts:</i>	The courts of England have exclusive jurisdiction to settle any dispute

arising from or in connection with the Securities.

**Minimum Trading Size:** 1 Security.

**Secondary Market:** RBS N.V., London branch intends (but is not obliged) to offer a secondary market in the Securities on each Business Day, subject to normal market conditions and the Minimum Trading Size. Any transaction will be based on the Strategy Value as of the next Business Day, provided that RBS N.V., London branch receives the order from the investor by 5pm (London time) on any Business Day.



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## RISK FACTORS

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

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

*The Issuer believes that the factors described below represent the principal risks inherent in investing in Securities issued, but the inability of the Issuer to pay principal or other amounts on or in connection with any Securities, or to perform any delivery obligations in relation to the Securities, may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Securities are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this 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 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 on pages 3-20 (as supplemented) incorporated by reference into this Prospectus for a description of those factors which may affect the Issuer's ability to fulfil its obligations under Securities issued. As stated in the section entitled "General Information – Part A: General – Proposed Transfers", certain disclosure relating to RBS has been incorporated by reference in this Prospectus. This disclosure includes certain risk factors relating to RBS and the RBSG Group. In respect of that disclosure, each potential investor in the Securities should refer to the Risk Factors section in the RBS Registration Document on pages 3-31.

*The Independent Commission on Banking has published its final report on competition and possible structural reforms in the UK banking industry. The implementation of the recommendations included in the final report could have a material adverse effect on the RBSG Group.*

The Independent Commission on Banking (the "ICB") was appointed by the UK Government in June 2010 to review possible structural measures to reform the UK banking system in order to promote, amongst other things, stability and competition. The ICB published its final report to the Cabinet Committee on Banking

Reform on 12 September 2011 (the “**Final Report**”) which sets out the ICB’s views on possible reforms to improve stability and competition in UK banking. The Final Report makes a number of recommendations, including in relation to (i) the implementation of a ring-fence of retail banking operations, (ii) loss-absorbency (including bail-in) and (iii) competition. The ICB has recommended 2019 as the final deadline for the implementation of its recommendations. The RBSG Group will continue to participate in the debate and to consult with the UK Government on the implementation of the recommendations set out in the Final Report, the effects of which could materially adversely affect the RBSG Group’s structure, results of operations, financial condition and prospects.

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

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

Certificates are investment instruments which, when exercised or terminated pay an amount determined by reference to the level of the underlying Bankhaus Jungholz Globalstrategie I strategy (the “**Underlying**” or the “**Strategy**”), subject to the certificate entitlement. As such, certificates expose the investor to the risk of the Underlying. Investors should be aware that their entire investment may be lost in the event that the Underlying is valued at zero.

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

The Securities are open end certificates which are similar to ordinary certificates, in that they track in a linear manner the Underlying. The difference between an open end certificate and an ordinary certificate is that an open end certificate does not have an expiration date or maturity date but will instead continue indefinitely until either the Holder exercises or the Issuer terminates the certificates.

### ***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 Prospectus;

- (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 Reference Asset comprised in the Underlying and financial markets generally;
- (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 the Underlying is a recommendation by the Issuer to invest (whether directly or indirectly) in the Underlying or any of its constituent elements. The Issuer and/or its affiliates may make investment decisions for themselves which differ from those that a potential investor would make by investing in the Securities. In particular, investment decisions of the Issuer and/or its affiliates are based on their current economic circumstances, overall credit exposure, risk tolerance and economic conditions, which are subject to change. The Issuer is not required to hold the Underlying (or its constituent elements) as a hedge and it may choose not to do so.

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 Valuation 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.* The market price of the Securities at any time is expected to be affected primarily by changes in the level of the Underlying to which the Securities are linked. It is impossible to predict how the level of the Underlying will vary over time (see below *Risk factors related to the underlying strategy*). Factors which may have an effect on the value of the Underlying include the rate of return of the Reference Assets comprised in the Underlying and the financial position and prospects of the issuer of the Reference Assets comprised in the Underlying. In addition, the level of the Underlying may depend on a number of interrelated factors, including economic, financial and political events and their effect on the capital markets generally and relevant stock exchanges. Further, where no market value is available for a Reference Assets comprised in the Underlying, the Calculation Agent may determine its value to be zero notwithstanding the fact that there may be no Market Disruption Event and/or no Adjustment Events and/or no De-listing and/or no Fund Event which apply.

(b) *Performance Risk in the Strategy*

The Cash Amount will mainly be based on the performance and determinations regarding the Strategy and implementation by Bankhaus Jungholz der Raiffeisenbank Reutte reg.Gen.m.b.H., Zweigniederlassung Jungholz (the “**Strategy Advisor**”). While the Strategy Advisor and RBS N.V., London Branch (the “**Strategy Sponsor**”) have agreed to observe certain composition guidelines for selecting and maintaining the various Reference Assets, these guidelines are not mandatory rules and the Strategy Advisor is not required to follow these guidelines and may, for a variety of reasons, choose not to follow these guidelines. No penalties exist if either fails to follow the guidelines. Only if the Strategy Sponsor determines that the Strategy is materially outside the Strategy Composition Guidelines and is not temporarily so, the Strategy Sponsor will as soon as reasonably practicable, notify the Strategy Advisor and request that a Recomposition occurs. In such case the Strategy Advisor is required to make Recompositions. The Strategy Sponsor and Strategy Advisor are also allowed to change, amend or substitute, among other things, the method of calculation of the Strategy on an annual basis to maintain the primary objective of the Strategy. Within the guidelines, the Strategy Advisor has a high degree of latitude to select certain investments. No assurance can be given that fiscal, market, regulatory, legal or financial circumstances will not arise that would cause the Strategy Sponsor to disregard the advice of the Strategy Advisor. Neither the Strategy Advisor nor the Strategy Sponsor is required to declare a Recomposition Date for the Strategy and neither has committed to recompose the Strategy according to any fixed schedule.

The Strategy Advisor will use its reasonable skill and care in selecting the Reference Assets. However, no assurance can be given as to the effect of any Recomposition. The Reference Assets (and their relative quantities) are subject to a variety of events including substitution, repurchase of Securities, adjustment and re-weighting. Neither the Strategy Sponsor nor the Strategy Advisor is responsible for the market performance of the Reference Assets.

Notwithstanding the foregoing, the ability of the Strategy Advisor to recompose the Strategy is restricted by the terms of the guidelines, which, if followed by the Strategy Advisor, will restrict the types of Reference Assets. Therefore, the Strategy Advisor may not have the flexibility to take advantage of market and trading possibilities that are not within the scope of the terms of the Strategy Description.

- (c) *Reliance on Strategy Advisor and the Strategy Sponsor.* The Securities are unlike securities linked to a fixed underlying asset class because the composition and weighting of the Reference Assets will change in accordance with the determinations and at the discretion of the Strategy Advisor. By investing in the Securities, Holders are relying on the investment advice, i.e. the determinations, discretion and skills of the Strategy Advisor. Holders are relying upon the Strategy Advisor to manage the Reference Assets in conjunction with the general terms of the Strategy (see: “II. Conditions - Information Relating to the Underlying: Bankhaus Jungholz Globalstrategie I”) and upon the Strategy Sponsor to implement the advice of the Strategy Advisor. There can be no assurance that the Strategy Advisor will correctly evaluate the nature and magnitude of the various factors that could affect the value and return of the Strategy or that the Strategy Sponsor will not refuse the advice of the Strategy Advisor due to Technical Constraints (as defined in “II. Conditions - Information Relating to the Underlying: Bankhaus Jungholz Globalstrategie I”).

Return on the investment is subject to the Strategy Advisor's ability to assess market trends and risk. There is a risk of losing all of the investment if the Strategy Value becomes zero due to negative market developments.

The Issuer may remove either the Strategy Sponsor or the Strategy Advisor upon the occurrence of certain specified events from their respective roles as set out in the Strategy Advisor Agreement, pursuant to which the Strategy Advisor provides advice to the Strategy Sponsor with respect to the Strategy. In addition, any party may resign in the event of its or the other party's insolvency or bankruptcy. In any event, there is no assurance that the Issuer would be able to replace the Strategy Sponsor or the Strategy Advisor on a timely basis or with an entity or person with the similar investment skills

and concerns as the Strategy Advisor or the Strategy Sponsor, as the case may be. If at any time during the term of the Securities there has been a resignation or termination of the Strategy Advisor and, after the Issuer has made a reasonable effort to appoint a new Strategy Advisor, there is no person or entity serving in such role, the Securities may be terminated. This could have a material impact on the value of the Securities and their performance.

- (d) *Reliance on Individuals Engaged by the Strategy Advisor.* Because the Reference Assets may vary over time, the Strategy's performance depends significantly on the skills of the Strategy Advisor, and the results of the Strategy will be highly dependent on the financial and managerial experience of certain individuals associated with the Strategy Advisor. The loss of one or more of these individuals could have a material adverse effect on the Strategy Value and consequently on the performance of the Securities and there is no assurance that the Strategy Advisor could replace the loss of a key individual or that the Strategy Sponsor could replace the Strategy Advisor were it to resign from its role as set out in the Strategy Advisor Agreement.
- (e) *Interest Rates.* Investments in the Securities may involve interest rate risk with respect to the currency of denomination of the Underlying and/or the Securities. A variety of factors influence interest rates such as macro economic, governmental, speculative and market sentiment factors. Such fluctuations may have an impact on the value of the Securities at any time prior to valuation of the Underlying relating to the Securities.
- (f) *Volatility.* The term "volatility" refers to the actual and anticipated frequency and magnitude of changes of the market price with respect to the 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 the Underlying will move up and down over time (sometimes more sharply than others) and different Reference Assets comprised in the Underlying will most likely have separate volatilities at any particular time.
- (g) *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 Reference Assets comprised in 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.

- (h) *Disruption.* The Calculation Agent may determine that a Market Disruption Event, 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.

- (i) *Creditworthiness.* Any person who purchases the Securities is relying upon the creditworthiness of the Issuer and of RBS Holdings (pursuant to its declaration under Article 2:403 of the Netherlands Civil Code) 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. The Securities rank *pari passu* among themselves.

### ***Fees and Costs***

Both the Strategy Advisor and the Strategy Sponsor receive fees with respect to their duties in relation to the Strategy, and such fees are payable regardless of whether the Strategy increases in value. (please refer to: "Product Conditions - Information Relating to the Underlying Bankhaus Jungholz Globalstrategie I, Fees"). Fees described therein are deducted from the Cash Account and thereby have the effect of reducing the value of the Strategy. There are also notional costs such as for notional charges incurred in composing the Strategy, the implied costs of establishing and financing market positions. These costs will also have the affect of reducing the Strategy Value.

### ***Conflicts of Interest***

Potential conflicts of interest may exist between the interests of the Strategy Sponsor and the Strategy Advisor and the Holders of the Securities both with respect to the Securities and with respect to the other businesses of the Strategy Sponsor and Strategy Advisor. The Strategy Sponsor and the Strategy Advisor or their respective affiliates may enter into other business dealings from which they may derive revenues and profits in addition to the fees described herein, and neither party has any duty to account to the Holders of the Securities for such other revenues and profits. In addition, the Strategy Advisor and the Issuer and, to the extent that it is different than the Issuer, the Strategy Sponsor or their respective affiliates may invest, for their own accounts (whether for hedging purposes or otherwise) or for the accounts of their affiliates or clients, in the Reference Assets and in making such investments, neither the Strategy Advisor, nor the Issuer, nor, to the extent that it is

different than the Issuer, the Strategy Sponsor nor any such affiliate has any duty to do so in a way that is favourable to the Holders. At any time, the Strategy Advisor, the Issuer and to the extent that it is different than the Issuer, the Strategy Sponsor may sell or buy any of the Reference Assets for their own accounts, or accounts of their affiliates or clients, and at the same time notionally take the opposite position with respect to such assets for the Strategy. All such market activities may, but are not intended to, affect the prices of the Reference Assets and, possibly, the Cash Amount that Holders will receive on the Scheduled Valuation Date or Issuer Call Date. The Issuer may also introduce products that compete with the Securities in the marketplace (which may or may not be linked to the Strategy), and the related market activity with respect to such products could adversely effect the value of the Securities.

The Strategy Advisor may engage in other businesses and furnish investment management and advisory services to entities unrelated to the Issuer and its affiliates. In so doing, the Strategy Advisor may give advice to such entities that is different from the advice given to the Strategy Sponsor with respect to the Strategy. The market impact of such advice, if any, may, but is not intended to, affect the prices of the Reference Assets.

The Royal Bank of Scotland N.V., London Branch (formerly named ABN AMRO Bank N.V., London Branch) as the Issuer and Strategy Sponsor, is acting in more than one capacity with respect to the Securities, and in its role as Strategy Sponsor could make determinations that influence the amount received on the Scheduled Valuation Date or Issuer Call Date of the Securities, as well as any adjustments to the Strategy made to reflect certain corporate or other events.

The Issuer or any of its affiliates may presently or from time to time engage in business with issuers of the assets included in the Reference Assets, including making loans to, making equity investments in or providing advisory services, including mergers and acquisitions advisory services, to those issuers. The Issuer or its affiliates may in the course of engaging in such activities and during the term of the Securities acquire non-public information with respect to an issuer of the Reference Assets. The Issuer and its affiliates are under no obligation to make any such information available to Holders of the Securities.

#### ***Information Regarding Issuers of the Reference Assets***

Neither the Issuer, the Strategy Sponsor, the Strategy Advisor nor their respective affiliates have the ability to control or predict the actions of any of the issuers of the Reference Assets notionally included in the Strategy. No issuer of a Strategy Component is involved in the offer of the Securities in any way and none has any obligation to consider the interest of the Holders of the Securities in taking any corporate actions that might affect the Strategy Value and thus the value of the Securities.

Neither the Issuer, the Strategy Sponsor, the Strategy Advisor nor any of their affiliates assumes any responsibility for the adequacy of the information about any issuer of the Reference Assets. The



Issuer is not responsible for any public disclosure of information of such issuer, whether contained in SEC filings or otherwise.

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

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) normal market conditions prevailing at such date; and
- (c) limiting the number of Securities in respect of which it is prepared to offer such secondary market.

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

RBS N.V., London branch intends (but is not obliged) to offer a secondary market in the Securities on each Business Day, subject to normal market conditions and the Minimum Trading Size. Any transaction will be based on the Strategy Value as of the next Business Day, provided that RBS N.V., London branch receives the order from the investor by 5pm (London time) on any Business Day.

In the event that such 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 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 the Securities as indicative of the depth or liquidity of the market for the Securities, or of the demand for the Securities.

### ***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 the Underlying or portfolio of which the Underlying forms a part. In addition, it may not be possible to liquidate the Securities at a level which directly reflects the price of the Underlying or portfolio of which the Underlying forms a part.

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

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

possible that the advisory services which the Issuer and/or its affiliates provide in the ordinary course of its/their business could lead to an adverse impact on the value of the Underlying.

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

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

The Issuer may enter into a hedging transaction in the relevant jurisdiction of the Underlying in order to offer exposure to the Underlying. 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 General Condition 5 (*Hedging Disruption*) below.

***Holders have no ownership interest in any of the Reference Assets comprised in the Underlying***

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

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

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

***There may be delays in effecting settlement***

If the Securities are subject to provisions relating to exercise, then upon their exercise, 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, as described above, any daily maximum exercise limitation or, as described above, any delay consequent upon the determination by the Calculation Agent that a Market 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 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. In the case of Securities which are exercisable on one day only or only during an exercise period any Notice, if not delivered by the latest time specified in the Conditions, shall be void.

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.

***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 Non-U.S. holders (as defined in “Taxation – United States”). 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. If a Non-U.S. holder becomes subject to this withholding tax, it is unclear whether the Non-U.S. holder will be able to claim any exemptions under its applicable double tax treaty. The application and interpretation of the rules governing U.S. withholding tax on Dividend Equivalent Payments is subject to change.

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

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 Conditions (each a “**Relevant Clearing System**”), either in the form of a global bearer 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 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 and any other amounts payable in respect of the Securities or any securities deliverable in respect of the Securities. Holders therefore are required to look to the Relevant Clearing System in respect of payments made to it by the Issuer in respect of Securities in global or dematerialised form.

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

***Risk associated with nominee arrangements***

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

In addition, such a Holder will only be able to sell any Securities held by it prior to their stated 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 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 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. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

### ***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 or other defective provision; 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.



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## DESCRIPTION OF THE SECURITIES AND THE STRATEGY

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*The following summary answers some questions that you might have regarding the Securities, in general terms only. It does not contain all the information which may be important to you. Prospective investors should read the Conditions of the Securities as well as the more detailed information that is contained in the rest of this Prospectus. Please carefully consider, amongst other things, the matters set out in "Risk Factors". In addition, please consult with your investment, legal, accounting, tax and other advisors with respect to any investment in the Securities.*

*The information contained in this section is subject in its entirety to the Conditions of the Securities.*

### ***What are the Securities?***

The Securities are investment instruments which, when exercised or terminated, pay an amount determined by reference to the level of the underlying Bankhaus Jungholz Globalstrategie I strategy (the “**Underlying**” or the “**Strategy**”), subject to the certificate entitlement. As such, certificates expose the investor to the risk of the Underlying. Investors should be aware that their entire investment may be lost in the event that the Underlying is valued at zero.

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

The Securities are open end certificates which are similar to ordinary certificates, in that they track in a linear manner the Underlying. The difference between an open end certificate and an ordinary certificate is that an open end certificate does not have an expiration date or maturity date but will instead continue indefinitely until either the Holder exercises or the Issuer terminates the certificates.

### ***What is the Strategy?***

The Strategy is not a fund, as it does not exist as an actual pool of segregated assets under the management of Bankhaus Jungholz der Raiffeisenbank Reutte reg.Gen.m.b.H., Zweigniederlassung Jungholz, Austria (the “**Strategy Advisor**”) or RBS N.V. Instead it is a notional portfolio composed by reference to the management ability of the Strategy Advisor. The performance objective of the Strategy is to deliver absolute performance through discretionary selection of long only positions in

certain mutual funds which are approved for distribution and sale in Germany in accordance with the terms of the Strategy and relies on the performance abilities of the Strategy Advisor. The calculation of the Strategy has commenced on 30 April 2004.

***What is the past performance of the Strategy?***

The performance of the Strategy as of 14 September 2011 (after deduction of the annual management fee of up to 2 per cent of the Strategy Value) has been as follows:

1 year:	-3.90%
5 years:	5.73%
Since 30 April 2004:	16.27%

***How does the Cash Account work?***

The Cash Account is a notional EUR cash account that is part of the Strategy. The Cash Account is calculated on a daily basis to give effect to the notional costs of entering into the various market positions in the Strategy, such as the cost of financing and maintaining purchases of fund positions and paying the fees to the Strategy Advisor.

***How often will recompositions be done?***

The Strategy Advisor has the right to do daily recompositions. However, the Strategy Advisor will decide in its sole discretion whether to make recompositions or not.

***Do I have any right to receive any of the assets of the Strategy?***

No. The Securities are cash settled only and your ownership in the Securities entitles you only to receive a return (if any), calculated by reference to the Strategy.

***Will I receive income?***

No. The Securities are non-interest bearing. No interest or dividends are paid out. The objective is to achieve absolute capital growth so these sums are available for re-investment.

***Is there a limit on how much I can earn over the life of the Securities?***

No. There is no cap on the potential investment return.

***How can I track my investment?***

RBS N.V. will publish the Strategy Value on Reuter's page RAMCDE. In addition RBS N.V. will publish the information together with a chart of the historic Strategy Value on Internet page [www.rbs.de/markets](http://www.rbs.de/markets) for investors in Germany and [www.rbsbank.at/markets](http://www.rbsbank.at/markets) for investors in Austria.

***Can I exercise early?***

The Holders may exercise their Securities once a year with respect to the Scheduled Valuation Date, which is the 28<sup>th</sup> of February from and including 28<sup>th</sup> February 2005.

***What happens on the Settlement Date?***

Following termination after an Issuer's Call or exercise by a Holder, the Holder is entitled to the Cash Amount which is an amount equal to the Final Strategy Value as determined on the relevant Valuation Date.

***Are there initial charges?***

No. There are no initial fees to be paid by the investor.

***What other fees are there?***

Notional Fees are deducted from the Strategy. The Notional Fees are calculated as an annual management fee of up to 2 per cent of the Strategy Value. Amounts equivalent to these Notional Fees are rebated to persons connected with the issue of the Securities.

In addition, a fee of up to 2% of the Issue Price may be payable to distributors upon purchase of the Securities. This amount is not notionally invested the Strategy.

***How will the fees impact my investment?***

The annual management fee is notionally deducted from the Strategy on a daily basis by reducing the Strategy Value. Therefore, it impacts the return on the investment at the Valuation Date, depending on the actual time for which the Holder holds his or her Securities.

***What is the minimum purchase required?***

The Securities are denominated in EUR and may be purchased in quantities of 1 Security or multiples thereof.

***Can the Securities be purchased after the initial subscription?***

The Issuer intends to make a two-way market in the Securities. RBS N.V. intends to, subject to market disruption and the Minimum Trading Size, repurchase or allow further subscriptions in the Securities once a day on each Business Day. Repurchase and subscriptions will be based on the Strategy Value as of the next Business Day, provided that RBS N.V., London branch receives the order from the holder/subscriber by 5pm (London time) on any Business Day. Any market making if commenced may be discontinued at any time.

However, the secondary market may not provide enough liquidity to allow Holders of the Securities to trade or sell the Securities easily other than by trading with the Issuer.

### ***Early termination***

The Issuer may terminate the Securities at any time with a notice period of three month if by 28<sup>th</sup> February 2005 and thereafter by a continuous three month period, the total aggregate outstanding principal amount of all Securities linked to the Bankhaus Jungholz Globalstrategie I, Bankhaus Jungholz Globalstrategie II (ISIN: NL0000211456) and Bankhaus Jungholz Globalstrategie III (ISIN: NL0000211464) sold or otherwise transferred to parties other than the issuer thereof (or any its affiliate or subsidiaries or shareholders or parent company) does not exceed €15 Million.

### ***Is this a risky investment?***

Return on the investment is subject to the Strategy Advisor's ability to assess market trends and risk. There is a risk of losing all of the investment if the Strategy Value becomes zero due to negative market developments.

Furthermore, the return of the investment at the Scheduled Valuation Date or Issuer Call Date is dependent upon RBS N.V.'s ability to meet its payment obligations.

In certain limited circumstances (in particular events such as market disruption events or material disruption events), the Securities may be redeemed early. In such circumstances, Holders of the Securities will receive an amount representing the fair value of the Securities.

### ***Is there Currency Risk?***

The Reference Assets which notionally comprise the Strategy may be traded in a variety of currencies. Where the trading price of the relevant Reference Asset is quoted in a currency other than euro, these amounts will be converted to amounts in euro for the purposed of determining the Strategy Value and thus the price of the Securities at any time.

### ***What type of investors should invest?***

The Securities are aimed at private or professional investors understanding the risks associated with such kind of investments seeking to diversify their portfolios.

***Who is Bankhaus Jungholz der Raiffeisenbank Reutte reg.Gen.m.b.H. Zweigniederlassung Jungholz and what is its role?***

Bankhaus Jungholz der Raiffeisenbank Reutte reg.Gen.m.b.H. Zweigniederlassung Jungholz (the “Strategy Advisor”), a cooperative society under Austrian law, registered at the regional court of Innsbruck under FN 41584 d, and having its registered office at Untermarkt 3, 6600 Reutte, Austria, was founded in 1898 as a bank regulated and supervised by the Austrian National Bank (OeNB) and by the Austrian Finanzmarktaufsicht (FMA). The registered share capital of Bankhaus Jungholz der Raiffeisenbank Reutte reg.Gen.m.b.H. Zweigniederlassung Jungholz amounts to 1.3 million EUR and is fully paid up. As of 2010/12/31 the capital reserves amount to EUR 73.5 million. The registered capital is widely held. The Strategy Advisor employs currently approximately 223 people.

In its capacity as Strategy Advisor, Bankhaus Jungholz der Raiffeisenbank Reutte reg.Gen.m.b.H. Zweigniederlassung Jungholz will select the Reference Assets and their weightings for notional inclusion in the Strategy.

***Who is The Royal Bank of Scotland N.V. and what is its role?***

RBS N.V. is the issuer of the Securities. It pays the Cash Amount on the Scheduled Valuation Date or Issuer Call Date. RBS N.V. (formerly named ABN AMRO Bank N.V.) is also the Strategy Sponsor for the Securities. As Strategy Sponsor for the Securities, RBS N.V. is responsible for all calculations and determinations under the Securities and payments in respect thereof.

***What is the ranking of the Securities?***

The Securities constitute unsecured and unsubordinated obligations of RBS N.V. and rank pari passu without prejudice among themselves and with all our other present and future unsecured and unsubordinated obligations.

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## INFORMATION ABOUT THE STRATEGY RATIONALE

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*This section of the Prospectus will outline the rationale behind the design of the underlying Bankhaus Jungholz Globalstrategie I.*

*The Information contained in this section is subject in its entirety to the Conditions of the Securities set out below.*

The Bankhaus Jungholz Globalstrategie I Strategy (the "**Strategy**") is an actively managed variable weight and composition total return strategy, created by Bankhaus Jungholz der Raiffeisenbank Reutte reg.Gen.m.b.H., Zweigniederlassung Jungholz (the "**Strategy Advisor**"). Pursuant to the Strategy Composition Guidelines (see below section 9 of the description of Bankhaus Jungholz Globalstrategie I, as annexed to the Product Conditions) the Strategy Advisor will from time to time select long only positions in certain mutual funds which are approved for distribution and sale in Germany for notional inclusion in the Strategy.

The performance objective of the Strategy is to deliver absolute performance through discretionary selection of long equity notional exposures and long only fixed income exposures via the mutual funds. The Strategy Advisor will select the mutual funds in its sole and absolute discretion, subject to the Strategy Composition Guidelines. The Strategy Advisor's strategy is to seek long term capital growth on the basis of a broad diversification via world-wide investment in mutual funds which are approved for distribution and sale in Germany. The overall capital market risk is kept low, due to a maximum notional allocation in equity mutual funds of 30% of the Strategy Value. The remaining of the overall allocation is invested in fixed income mutual funds and/or money market funds. The strategy should be similar to a buy and hold investment process in mutual funds. The goal is to outperform, in terms of risk/reward the internal chosen benchmarks which are MSCI World (Return Index) in Euro, iBoxx €Sovereigns Germany, Citigroup World Government Bond Index non Euro and 3-months money in the Euro countries.

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## **RESPONSIBILITY STATEMENT**

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The Issuer accepts responsibility for the information contained in this Prospectus. 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 Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

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 Prospectus:

**PART A: IN RELATION TO RBS N.V.**

1. The registration document of RBS Holdings and RBS N.V. dated 31 August 2011 published on 31 August 2011 (the “**Registration Document**”) excluding the paragraphs on pages 24 and 25 of the Registration Document entitled “Independent Commission on Banking”.
2. The RBS Holdings Annual Report 2010 (excluding the sections headed “Business Review - Risk factors” on page 9 and the section headed “Additional Information – Risk factors” on pages 221 to 231) which includes the audited consolidated annual financial statements of RBS Holdings as at and for the year ended 31 December 2010.
3. The unaudited interim results of RBS Holdings for the half year ended 30 June 2011 which were published on 31 August 2011 (the “**2011 RBS Holdings Interim Results**”).
4. The ABN AMRO Holding N.V. Annual Report 2009 (excluding the section headed “Risk factors” on pages 61 to 68) which includes the audited consolidated annual financial statements of ABN AMRO Holding N.V. (now renamed RBS Holdings N.V.) as at and for the year ended 31 December 2009.
5. The Articles of Association (statuten) of each of RBS Holdings and RBS N.V. as in force and effect on the date of this Prospectus.
6. The press release entitled “Proposed transfers of a substantial part of the business activities of RBS N.V. to RBS plc” which was published by RBS N.V. via RNS on 19 April 2011.
7. The press release entitled “Details of Part VII Scheme – Securities issued by, and guarantees granted by, RBS N.V.” published by the Issuer on 22 July 2011.

**PART B: IN RELATION TO RBS**

- (a) The registration document of RBS dated 5 August 2011, which was published via which was published via the Regulatory News Service of the London Stock Exchange plc (“**RNS**”) on



5 August 2011 (the “**RBS Registration Document**”), excluding (i) the paragraphs on page 59 under the heading “No Significant Change and No Material Adverse Change” in the section of the RBS Registration Document entitled “General Information” and (ii) the risk factor entitled “The Independent Commission on Banking is reviewing competition in the UK banking industry and possible structural reforms. The outcomes of this review could have a material adverse effect on the interests of the Group.” on page 5 of the RBS Registration Document and (iii) the paragraphs on page 39 of the RBS Registration Document entitled “Independent Commission on Banking”.

- (b) The annual report and accounts of RBS (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 and “Additional Information – Risk Factors” on pages 238 to 254) published on 15 April 2011.
- (c) The annual report and accounts of RBS (including the audited consolidated annual financial statements of the RBS, together with the audit report thereon) for the year ended 31 December 2009 (excluding the section headed “Risk factors” on pages 5 to 23) published on 9 April 2010.
- (d) The unaudited interim results of RBS for the six months ended 30 June 2011 which were published via RNS on 26 August 2011.
- (e) The following sections of the 2010 annual report and accounts of RBSG which was published by RBSG on 17 March 2011 (the “**2010 Annual Report and Accounts of RBSG**”):
  - (i) Independent auditor’s report on page 267;
  - (ii) Consolidated income statement on page 268;
  - (iii) Consolidated statement of comprehensive income on page 269;
  - (iv) Balance sheets as at 31 December 2010 on page 270;
  - (v) Statements of changes in equity on pages 271 to 273;
  - (vi) Cash flow statements on page 274;
  - (vii) Accounting policies on pages 275 to 286;
  - (viii) Notes on the accounts on pages 287 to 385;
  - (ix) Essential reading – We have met, and in some cases exceeded, the targets for the second year of our Strategic Plan on page 1;
  - (x) Chairman’s statement on pages 2 to 3;
  - (xi) Group Chief Executive’s review on pages 4 to 5;

- (xii) Our key targets on page 7;
  - (xiii) Our business and our strategy on pages 8 to 19;
  - (xiv) Divisional review on pages 20 to 41;
  - (xv) Business review on pages 49 to 224;
  - (xvi) Report of the Directors on pages 230 to 234;
  - (xvii) Corporate governance on pages 235 to 245;
  - (xviii) Letter from the Chair of the Remuneration Committee on pages 246 to 247;
  - (xix) Directors' remuneration report on pages 248 to 263;
  - (xx) Directors' interests in shares on page 264;
  - (xxi) Financial summary on pages 387 to 395;
  - (xxii) Exchange rates on page 395;
  - (xxiii) Economic and monetary environment on page 396;
  - (xxiv) Supervision on page 397;
  - (xxv) Regulatory developments and reviews on pages 398 to 399;
  - (xxvi) Description of property and equipment on page 399;
  - (xxvii) Major shareholders on page 399;
  - (xxviii) Material contracts on pages 399 to 404; and
  - (xxix) Glossary of terms on pages 434 to 439.
- (f) The following sections of the 2009 annual report and accounts of RBSG, which was published by RBSG on 18 March 2010:
- (i) Independent auditors' report on page 240;
  - (ii) Consolidated income statement on page 241;
  - (iii) Consolidated statement of comprehensive income on page 242;
  - (iv) Balance sheets at 31 December 2009 on page 243;
  - (v) Statements of changes in equity on pages 244 to 246;
  - (vi) Cash flow statements on page 247;
  - (vii) Accounting policies on pages 248 to 258;
  - (viii) Notes on the accounts on pages 259 to 348;

- (ix) What we have achieved on page 1 (excluding the financial information on that page which is indicated as being “pro forma”);
  - (x) Chairman’s statement on pages 2 to 3;
  - (xi) Group Chief Executive’s review on pages 4 to 6;
  - (xii) Our strategic plan and progress on pages 12 to 19;
  - (xiii) Divisional review on pages 20 to 41;
  - (xiv) Business review on pages 49 to 85 and pages 108 to 206 (excluding the financial information on pages 72 to 85 and pages 108 to 116 which is indicated as being “pro forma”);
  - (xv) Report of the Directors on pages 208 to 213;
  - (xvi) Corporate governance on pages 214 to 222;
  - (xvii) Letter from the Chairman of the Remuneration Committee on pages 223 to 224;
  - (xviii) Directors’ remuneration report on pages 225 to 236;
  - (xix) Directors’ interests in shares on page 237;
  - (xx) Impairment review on pages 302 to 303;
  - (xxi) Financial summary on pages 350 to 359;
  - (xxii) Exchange rates on page 359;
  - (xxiii) Economic and monetary environment on page 360;
  - (xxiv) Supervision on page 361;
  - (xxv) Regulatory developments and reviews on pages 361 to 362;
  - (xxvi) Description of property and equipment on pages 362 to 363;
  - (xxvii) Major shareholders on page 363; and
  - (xxviii) Glossary of terms on pages 383 to 387.
- (g) The unaudited Interim Results 2011 of RBSG for the six months ended 30 June 2011 which were published via RNS on 5 August 2011.
- (h) The following sections of the Shareholder Circular published by RBSG on 27 November 2009:
- (i) “Financial Information” on page 5;
  - (ii) “Part I – Letter From the Chairman of RBS” on pages 10 to 20;

- (iii) “Appendix 3 to the Letter From the Chairman of RBS – Principal Terms of Issue of the B Shares and the Dividend Access Share” on pages 76 to 84;
  - (iv) “Appendix 4 to the Letter From the Chairman of RBS – Key Terms of the State Aid Restructuring Plan” on pages 85 to 86;
  - (v) “Part VI – Definitions” on pages 121 to 133; and
  - (vi) “Annex 1 – Terms of Issue of the B Shares and the Dividend Access Share” on pages 134 to 170.
- (i) The press release headed “The Royal Bank of Scotland Group plc, The Royal Bank of Scotland plc and National Westminster Bank Plc – Clarification of Contractual Position Relating to Payments Under Preference Shares and Subordinated Securities” published via the RNS on 20 October 2009.
  - (j) The press release entitled “Proposed transfers of a substantial part of the business activities of RBS N.V. to RBS plc” (excluding (i) the statement therein which reads “Certain unaudited pro forma condensed consolidated financial information relating to RBS Holdings N.V. is set out in the Appendix to this announcement” and (ii) the Appendix thereto) which was published by RBSG via RNS on 19 April 2011.
  - (k) The press release entitled “Details of Part VII Scheme – Securities issued by, and guarantees granted by, RBS N.V.” published by RBSG on 22 July 2011.
  - (l) The section headed “Risk Factors” on page 3 to 25 of the registration document of The Royal Bank of Scotland Group plc dated 5 August 2011 (the “**RBSG Registration Document**”) excluding the risk factor entitled “The Independent Commission on Banking is reviewing competition in the UK banking industry and possible structural reforms. The outcomes of this review could have a material adverse effect on the interests of the Group.” on pages 4 and 5 of the RBSG Registration Document.

### **Unaudited Pro Forma Financial Information**

The unaudited pro forma financial information contained in the 2010 Annual Report and Accounts of RBSG (together, the “Unaudited Pro Forma Financial Information”) which is incorporated by reference into this Prospectus has been prepared for illustrative purposes only and addresses a hypothetical situation. Therefore, the Unaudited Pro Forma Financial Information does not represent the actual financial position or results of the RBSG Group as at and for the periods in respect of which the Unaudited Pro Forma Financial Information has been prepared.

The Unaudited Pro Forma Financial Information shows the underlying performance of the RBSG Group including the results of the RBS Holdings businesses retained by the RBSG Group. The

Unaudited Pro Forma Financial Information is prepared using the RBSG Group's accounting policies and is being provided to give a better understanding of the RBSG Group's operations excluding the results attributable to the other consortium members. The basis of preparation of the pro forma results is detailed under the heading "Basis of preparation of pro forma results" on page 113 of the 2010 Annual Report and Accounts of RBSG (which is incorporated by reference herein). In future periods, there will be no significant differences between pro forma and statutory results other than presentation aspects discussed under the heading "Pro forma results" on page 53 of the 2010 Annual Report and Accounts of RBSG (which is incorporated by reference herein).

### **PART C: IN RELATION TO BOTH RBS N.V. AND RBS**

If the documents which are incorporated by reference in this Prospectus themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of this 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 Prospectus.

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

Copies of the above documents:

- are accessible at <http://markets.rbs.com/bparchive>; or
- can be obtained, on request, free of charge, by writing or telephoning, The Royal Bank of Scotland Group Investor Relations, 280 Bishopsgate, London EC2M 4RB, United Kingdom, telephone +44 207 672 1758, email [investor.relations@rbs.com](mailto:investor.relations@rbs.com); or
- can be obtained (in the case of the Part A documents for RBS N.V.) at the registered office of the Issuer at 250 Bishopsgate, London EC2M 4AA, United Kingdom and (in the case of the Part B documents for RBS) the registered office of RBS at 36 St Andrew Square, Edinburgh EH2 2YB.

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

#### *Material Changes*

Material changes of the Issuer's financial position since the date of this Prospectus will trigger the need for a supplement to this Prospectus under Article 16 of Directive 2003/71/EC. Any supplements

to this Prospectus are accessible at [www.rbs.de/markets](http://www.rbs.de/markets) for investors in Germany and [www.rbsbank.at/markets](http://www.rbsbank.at/markets) for investors in Austria and can be obtained, on request, free of charge, at The Royal Bank of Scotland N.V. Niederlassung Deutschland, Junghofstr. 22, 60311 Frankfurt am Main, Germany, and The Royal Bank of Scotland N.V., Filiale Wien, Operngasse 2, 1010 Wien, Austria.

*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 acquisition, ownership, transfer or exercise or non-exercise of any Securities.

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

The following does not address any tax consequences of the Proposed Transfers, regarding which Holders of Securities should seek their own professional advice. It also does not address any tax consequences relating to Securities issued or raised by RBS.

Any Security which is transferred under the Proposed Transfers pursuant to the Part VII Scheme shall be referred to in this section as a "**Part VII Scheme Security**"; and such Securities, "**Part VII Scheme Securities**".

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. THE NETHERLANDS

#### **General**

The following applies only to persons who are the beneficial owners of the Securities and is a summary of the Issuer's understanding of current Netherlands tax law as applied in the Netherlands relating only to certain aspects of Netherlands taxation. This summary is intended as general information only and each prospective investor should consult a professional tax adviser with respect to the tax consequences of an investment in the Securities.

This summary is based on tax legislation, published case law, treaties, regulations and published policy, in each case as in force as of the date of this Prospectus, and does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.

This summary does not address the Netherlands tax consequences for:

- (i) holders of Securities holding a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in the Issuer or RBS and holders of Securities of whom a certain related person holds a substantial interest in the Issuer or RBS. Generally speaking, a substantial interest arises if a person, alone or, where such person is an individual, together with his or her partner (statutory defined term), directly or indirectly, holds (i) an interest of 5 per cent. or more of the total issued capital of a company or of 5 per cent. or more of the issued capital of a certain class of shares of a company, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit sharing rights in a company;
- (ii) investment institutions (*fiscale beleggingsinstellingen*); and
- (iii) pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*) or other entities that are exempt from Netherlands corporate income tax.

Where this summary refers to a holder of Securities, such reference is restricted to a holder holding legal title to as well as an economic interest in such Securities.

#### **Withholding Tax**



*Securities issued by the Issuer otherwise than through the Issuer's London branch and which are not Part VII Scheme Securities*

Payments on these Securities may be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein provided that the Securities do not in fact function as equity of the Issuer within the meaning of article 10, paragraph 1, under d of the Netherlands corporate income tax act 1969 (*Wet op de vennootschapsbelasting 1969*).

*Securities issued by the Issuer's London branch and Part VII Scheme Securities*

Payments on these Securities may be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political or taxing authority thereof or therein.

*Payments by the Guarantor*

Any payments by the Guarantor in respect of interest on, or other amounts due under, Securities issued by the Issuer (whether or not through its London branch), whether or not they are Part VII Scheme Securities (in each case, other than the repayment of amounts subscribed for the Securities), may generally be made without withholding on account of Netherlands taxation.

## **Corporate and Individual Income Tax**

### **(a) Residents of the Netherlands**

If a holder is a resident or deemed to be a resident of the Netherlands for Netherlands tax purposes and is fully subject to Netherlands corporate income tax or is only subject to Netherlands corporate income tax in respect of an enterprise to which the Securities are attributable, income derived from the Securities and gains realised upon the redemption, settlement or disposal of the Securities are generally taxable in the Netherlands (at up to a maximum rate of 25 per cent.).

If an individual holder is a resident or deemed to be a resident of the Netherlands for Netherlands tax purposes (including an individual holder who has opted to be taxed as a resident of the Netherlands), income derived from the Securities and gains realised upon the redemption, settlement or disposal of the Securities are taxable at the progressive rates (at up to a maximum rate of 52 per cent.) under the Netherlands income tax act 2001 (*Wet inkomstenbelasting 2001*), if:

- (i) the holder is an entrepreneur (*ondernemer*) and has an enterprise to which the Securities are attributable or the holder has, other than as a shareholder, a co-entitlement to the net worth of an enterprise (*medegerechtigde*), to which enterprise the Securities are attributable; or
- (ii) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which include the performance of activities with respect to the Securities that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor condition (ii) applies to the holder of the Securities, taxable income with regard to the Securities must be determined on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. This deemed return on income from savings and investments has been fixed at a rate of 4 per cent. of the individual's yield basis (*rendementsgrondslag*) at the end of the calendar year, insofar as it exceeds a certain threshold. The individual's yield basis is determined as the fair market value of certain qualifying assets held by the holder of the Securities less the fair market value of certain qualifying liabilities on 1 January. The fair market value of the Securities will be included as an asset in the individual's yield basis. The 4 per cent. deemed return on income from savings and investments will be taxed at a rate of 30 per cent.

(b) Non-residents of the Netherlands

If a holder is not a resident nor is deemed to be a resident of the Netherlands for Netherlands tax purposes (or has not opted to be taxed as a resident of the Netherlands), such holder is not taxable in respect of income derived from the Securities and gains realised upon the settlement, redemption or disposal of the Securities, unless:

- (i) the holder is not an individual and such holder (1) has an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Securities are attributable, or (2) is entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of an enterprise, which is effectively managed in the Netherlands (other than by way of securities) and to which enterprise the Securities are attributable.

This income is subject to Netherlands corporate income tax at up to a maximum rate of 25 per cent.

- (ii) the holder is an individual and such holder (1) has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Securities are attributable, or (2) realises income or gains with respect to the Securities that qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*) in the Netherlands, which activities include the performance of activities in the Netherlands with respect to the Securities which exceed regular, active portfolio management (*normaal, actief vermogensbeheer*), or (3) is entitled to a share in the profits of an enterprise which is effectively managed in the Netherlands (other than by way of securities) and to which enterprise the Securities are attributable.

Income derived from the Securities as specified under (1) and (2) is subject to individual income tax at up to a maximum rate of 52 per cent. Income derived from a share in the profits as specified under (3) that is not already included under (1) or (2) will be taxed on the basis of a deemed return on income from savings and investments (as described above under "Residents of the Netherlands"). The fair market value of the share in the profits of the enterprise (which includes the Securities) will be part of the individual's Netherlands yield basis.

### **Gift and Inheritance Tax**

#### **(a) Residents of the Netherlands**

Generally, gift and inheritance tax will be due in the Netherlands in respect of the acquisition of the Securities by way of a gift by, or on the death of, a holder that is a resident or deemed to be a resident of the Netherlands for the purposes of Netherlands gift and inheritance tax at the time of the gift or his or her death.

A holder of Dutch nationality is deemed to be a resident of the Netherlands for the purposes of the Netherlands gift and inheritance tax if he or she has been resident in the Netherlands and dies or makes a donation within ten years after leaving the Netherlands. A holder of any other nationality is deemed to be a resident of the Netherlands for the purposes of the Netherlands gift tax if he or she has been resident in the Netherlands and makes a donation within a twelve months period after leaving the Netherlands. The same twelve-month rule may apply to entities that have transferred their seat of residence out of the Netherlands.

#### **(b) Non-residents of the Netherlands**

No gift or inheritance taxes will arise in the Netherlands in respect of the acquisition of the Securities by way of a gift by, or as a result of, the death of a holder that is neither a resident nor deemed to be a resident of the Netherlands for the purposes of Netherlands gift and inheritance tax, unless in the case of a gift of the Securities by a holder who at the date of the gift was neither a resident nor deemed to be a resident of the Netherlands, such holder dies within 180 days after the date of the gift, and at the time of his or her death is a resident or deemed to be a resident of the Netherlands.

### **Value Added Tax**

In general, no value added tax will arise in respect of payments in consideration for the issue of the Securities or in respect of a cash payment made under the Securities, or in respect of a transfer of Securities.

### **Other Taxes and Duties**

No registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty will be payable in the Netherlands by a holder in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of the Securities.

## **4. UNITED KINGDOM**

**The following applies only to persons who are the beneficial owners of the Securities and is a summary of the Issuer's understanding of current United Kingdom tax law as applied in England and Wales 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, exercising, not exercising 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 persons (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. For United Kingdom tax purposes, the term “Security” or “Securities” refers to instruments of the type described in this 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. This summary is intended as general information only and each prospective Holder of Securities should consult a professional tax adviser with respect to the tax consequences of an investment in the Securities.**

### **Withholding Tax**

*Securities issued by the Issuer otherwise than through the Issuer's London branch and which are not Part VII Scheme Securities*

Payments on these Securities may generally be made without withholding on account of United Kingdom income tax.

*Securities issued by the Issuer's London branch and Part VII Scheme Securities* Payments made in respect of these 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 or RBS, as applicable, 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 payments are regarded as made under 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 the payments are made under options, futures or contracts for differences for the purposes of Part 7 of that Act, which 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).

If payments made in respect of the Securities were to be regarded as interest for United Kingdom tax purposes, provided that the Issuer's London branch or RBS, as applicable, is and continues to be a bank within the meaning of section 991 of the Income Tax Act 2007 (the "**ITA 2007**"), such payments may be made without withholding or deduction for or on account of United Kingdom income tax where the interest is paid in the ordinary course of the Issuer's London branch's or RBS's business, as applicable, within the meaning of section 878 ITA 2007.

Payments of interest on or in respect of the Securities may also be made by the Issuer's London branch or RBS, as applicable, without deduction of or withholding for or on account of United Kingdom income tax if the Securities are and continue to be listed on a "recognised stock exchange", as defined in section 1005 of the ITA 2007. The NYSE Euronext

Amsterdam is a recognised stock exchange. The Securities will therefore satisfy this requirement if they are (a) officially listed in the Netherlands in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on the NYSE Euronext Amsterdam, or (b) admitted to trading on another "recognised stock exchange" and officially listed in a country in which there is a "recognised stock exchange" in accordance with provisions corresponding to those generally applicable in EEA states. Provided, therefore, that the Securities are and remain so listed, interest on the Securities will be payable by the Issuer's London branch or RBS, as applicable, without withholding or deduction for or on account of United Kingdom income tax whether or not the Issuer's London branch or RBS, as applicable, carries on a banking business in the United Kingdom and whether or not the interest is paid in the ordinary course of its business.

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 a company and, at the time the payment is made, the Issuer's London branch or RBS, as applicable, reasonably believes (and any person by or through whom interest on 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.

In other cases, an amount must generally be withheld from payments by the Issuer's London branch or RBS, as applicable, of interest on or in respect of 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 the Securities, HMRC can issue a notice to the Issuer's London branch or RBS, as applicable, to pay interest to the Holder of the 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).

#### *Payments by the Guarantor*

Any payments by the Guarantor in respect of interest on, or other amounts due under, Securities issued by the Issuer otherwise than through the Issuer's London branch and which

are not Part VII Scheme Securities may generally be made without withholding on account of United Kingdom income tax.

Any payments by the Guarantor in respect of interest on, or other amounts due under, Securities issued by the Issuer's London branch or which are Part VII Scheme Securities (in each case, other than the repayment of amounts subscribed for the Securities) may be subject to United Kingdom withholding tax, subject to the availability of any exemptions or reliefs or to any direction to the contrary from HMRC in respect of such relief as may be available pursuant to the provisions of any applicable double tax treaty.

### **Certain other United Kingdom tax considerations**

Payments made in respect of Securities issued by the Issuer's London branch and (from the time of the transfer) the Part VII Scheme Securities are generally expected to have a United Kingdom source. Accordingly, depending upon the category of the income, such payments may be chargeable to United Kingdom tax by direct assessment even where the Holder of Securities is not resident (or in the case of an individual, ordinarily resident) in the United Kingdom and does not hold their Securities for the purposes of, or receive such payments in connection with, a trade, profession or vocation carried on via a branch, agency or permanent establishment in the United Kingdom, although in practice HMRC may not seek to enforce any such liability in respect of such a Holder of Securities.

If Holders of Securities are liable to United Kingdom tax by way of direct assessment, Holders of Securities which are resident in a jurisdiction with an appropriate double taxation treaty with the United Kingdom may be entitled to claim exemption from direct assessment under the terms of that double taxation treaty.

### **UK Information Gathering Powers**

Holders of the 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 the 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 2012. 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 the Securities is resident for tax purposes.

### **Stamp Taxes**

For the purposes of the following paragraphs, “**Exempt Loan Capital**” means any security which constitutes loan capital (“**Loan Capital**”) for the purposes of section 78 of the Finance Act 1986 (“**FA 1986**”) and: (a) does not carry rights to acquire shares or securities (by way of exchange, conversion or otherwise); (b) has not carried and does not carry a right to interest the amount of which exceeds a reasonable commercial return on the nominal amount of the relevant security; (c) subject to certain exceptions has not carried and does not carry a right to interest the amount of which falls or has fallen to be determined to any extent by reference to the results of, or any part of, a business or to the value of any property; and (d) has not carried and does not carry a right to a premium which is not reasonably comparable with amounts payable on securities listed on the London Stock Exchange.

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

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

In relation to Securities issued in bearer form which are denominated in sterling and which are not Loan Capital, a charge to United Kingdom stamp duty at 1.5 per cent. of the value of such Securities may arise. No stamp duty liability will arise on the issue of such Securities by the Issuer if issued outside the United Kingdom. However, in relation to Securities of that kind originally issued by the Issuer outside the United Kingdom, on the first transfer by delivery in the United Kingdom of any such Security a stamp duty liability at 1.5 per cent. of the value of such Security may arise. Furthermore, an instrument issuing a Security which has the characteristics of an option or any instrument granting such a Security may technically 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*

Other than as described above, 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 a Security on sale of the Security may technically be subject to stamp duty at a rate of 0.5 per cent. of the consideration paid for the Securities if the Securities are not Exempt Loan Capital.

Even if an instrument is subject to United Kingdom stamp duty, there may be no practical necessity to pay that stamp duty for example, if the Security to which it relates is issued by the Issuer and is not a Part VII Scheme Security, as United Kingdom stamp duty is not an assessable tax. However, an instrument which is not duly stamped cannot be registered or used for certain purposes in the United Kingdom; for example it will be inadmissible in evidence in civil proceedings in a United Kingdom court. In the event that such an instrument is subject to United Kingdom stamp duty, and it becomes necessary to pay that stamp duty (for example because this is necessary in order to enforce the document in the United Kingdom), interest will be payable (in addition to the stamp duty) in respect of the period from 30 days after the date of execution of the instrument to the date of payment of the stamp duty. Penalties may also be payable if either (i) an instrument which was executed in the United Kingdom is not stamped within 30 days of being so executed or (ii) an instrument which was executed outside the United Kingdom is not stamped within 30 days of first being brought into the United Kingdom.

*Stamp duty reserve tax (“SDRT”) on the issue or transfer of Securities to a Clearance Service*

No SDRT should be payable in relation to the issue of a Security by the Issuer or the transfer of such a Security 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**”), in each case, unless the Security is an interest in, or to dividends or other rights arising out of, or a right to allotment of or to subscribe for, or an option to acquire shares which are paired with shares (which are not “newly subscribed shares” as defined in section 99(12) FA 1986) issued by a body corporate incorporated in the United Kingdom.

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 at a rate of 1.5 per cent may be payable in respect of a Security issued by the Issuer and which is not a Part VII Scheme Security on the issue or transfer of such a Security to a Clearance Service where it is an interest in, or to dividends or other rights arising out of, or a right to allotment of or to subscribe for, or an option to acquire shares which are paired with shares (which are not “newly subscribed shares” as defined in section 99(12) FA 1986) issued by a body corporate incorporated in the United Kingdom.

The analysis in the above paragraph is likely to apply to the transfer of a Security to a Clearance Service where no s97A Election applies in respect of the Security where such Security was issued by the Issuer and is a Part VII Scheme Security, although this is not free from doubt. Were the analysis in the above paragraph not to apply to a transfer of such a Security to a Clearance Service where no s97A Election applies in respect of the Security, SDRT at a rate of 1.5 per cent. may be payable on such a transfer in circumstances other than those described in the paragraph above if the Security is not Exempt Loan Capital.

The ECJ has found in *C-569/07 HSBC Holdings plc and Vidacos Nominees Ltd v The Commissioners of Her Majesty's Revenue & Customs* (Case C-569/07) that the 1.5 per cent. charge is contrary to EU Community Law where shares are issued to a clearance service. HMRC has subsequently indicated that it will not levy the charge on shares issued to a clearance service within the EU. It is not clear the extent to which this decision applies to the Securities or the way in which any change in legislation or HMRC practice in response to this decision may alter the position outlined above.

*SDRT on the issue of Securities into CREST*

No SDRT will be payable in respect of the issue of Securities into CREST, provided they are not issued to a Clearance Service or to a person issuing depositary receipts.

*SDRT on the transfer of Securities held within a Clearance Service*

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

*SDRT on the transfer of Securities held outside a Clearance Service, held within CREST or held within a Clearance Service where a s97A Election applies in respect of the Security*

In the case of Securities issued by the Issuer which are not Part VII Scheme Securities and which are held outside a Clearance Service (otherwise than within CREST, regarding which, see below) or held within a Clearance Service where a s97A Election applies in respect of the Security, no SDRT should be payable in relation to any agreement to transfer such a Security unless it is an interest in, or to dividends or other rights arising out of, or a right to allotment of or to subscribe for, or an option to acquire either: (i) stocks, shares or loan capital for the purposes of section 99(3) FA 1986 which are not Exempt Loan Capital and which are registered in a register kept in the United Kingdom; or (ii) shares which are paired with shares issued by a body corporate incorporated in the United Kingdom, unless (in either case) that Security is in bearer form.

In the case of Securities issued by the Issuer which are not Part VII Scheme Securities and which are held outside a Clearance Service (otherwise than within CREST, regarding which,

see below) or held within a Clearance Service where a s97A Election applies in respect of the Security, SDRT should generally be payable in relation to any agreement to transfer such a Security where it is an interest in, or to dividends or other rights arising out of, or a right to allotment of or to subscribe for, or an option to acquire either: (i) stocks, shares or loan capital for the purposes of section 99(3) FA 1986 which are not Exempt Loan Capital and which are registered in a register kept in the United Kingdom; or (ii) shares which are paired with shares issued by a body corporate incorporated in the United Kingdom, unless (in either case) that Security is in bearer form. Any such SDRT would be payable at a rate of 0.5 per cent. of the consideration given under an agreement to transfer such Securities, unless the transfer is to a Clearance Service or to a person issuing depositary receipts (or to an agent or nominee of such a person) where SDRT may be payable at a rate of 1.5 per cent.

Provided the Securities are not registered in a register kept in the United Kingdom, the analysis in the above paragraphs is likely to apply to the transfer of a Security issued by the Issuer which is a Part VII Scheme Security and which is held outside a Clearance Service (otherwise than within CREST, regarding which, see below) or held within a Clearance Service where a s97A Election applies in respect of the Security, although this is not free from doubt. Were the analysis in the above paragraphs not to apply to a transfer of such a Security, SDRT may be payable at a rate of 0.5 per cent. of the consideration given under an agreement to transfer such Securities (unless the transfer is to Clearance Service or to a person issuing depositary receipts (or to an agent or nominee of such a person) where SDRT may be payable at a rate of 1.5 per cent.) in circumstances other than those described in the paragraphs above if the Security is not Exempt Loan Capital.

Were the Security (whether or not it is a Part VII Scheme Security) to be registered in a register kept in the United Kingdom, for example, because this was required for the purposes of CREST, SDRT may be payable in relation to the transfer of such a Security within CREST or any agreement to transfer such a Security at a rate of 0.5 per cent. of the consideration given in circumstances other than those described in the paragraphs above if the Security is not Exempt Loan Capital.

## 5. UNITED STATES

**TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE U.S. INTERNAL REVENUE SERVICE (THE “IRS”), WE INFORM YOU THAT ANY TAX DISCUSSION HEREIN WAS NOT WRITTEN AND IS NOT INTENDED TO BE USED AND CANNOT BE USED BY ANY PERSON FOR PURPOSES OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THAT**

**PERSON. ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS DESCRIBED HEREIN. EACH PROSPECTIVE PURCHASER OF SECURITIES SHOULD SEEK ADVICE BASED ON THAT PERSON'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.**

The following summary describes certain U.S. federal withholding tax considerations that may be relevant to a Non-U.S. holder (as defined below) that purchases Securities, but is not purported to be a complete analysis of all potential tax effects. This summary is based upon the Internal Revenue Code of 1986, as amended (the “**Code**”), existing and proposed regulations promulgated thereunder, and published rulings and court decisions, all as in effect and existing on the date of this Prospectus and all of which are subject to change at any time with retrospective or prospective effect. The U.S. federal income tax considerations discussed below will continue to apply to Part VII Scheme Securities.

For purposes of this discussion, a “**Non-U.S. holder**” means a beneficial owner of the Securities that is not:

- (a) a citizen or individual resident of the United States, as defined in Section 7701(b) of the Code,
- (b) 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;
- (c) an estate the income of which is subject to U.S. federal income tax without regard to its source;
- (d) 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; or
- (e) otherwise subject to U.S. federal income tax on a net income basis.

If a partnership holds the Securities, the tax treatment of a partner will generally depend upon

the status of the partner the partnership as well as the activities of the partnership. Partners in partnerships holding the Securities should consult their tax advisers regarding the U.S. federal income tax consequences of acquiring, owning, exchanging and disposing of the Securities.

#### **Withholding on Dividend Equivalent Payments**

Recently enacted U.S. legislation imposes a 30% U.S. withholding tax on payments that are directly or indirectly contingent upon, or determined by reference to, the payment of a dividend from a U.S. entity (a “**Dividend Equivalent Payment**”). The type of payments that constitute Dividend Equivalent Payments subject to this withholding tax is not entirely clear. Payments on Securities with equity in U.S. entities, or indices that include equity in U.S. entities, as the Underlying, or that reference dividend payments made by U.S. entities, could become subject to this withholding tax. Non-U.S. holders may not be able to claim the benefits of a double tax treaty to reduce this withholding. Additionally, amounts paid pursuant to an early termination made in accordance with General Condition 3(b) could be subject to withholding if they are deemed to be Dividend Equivalent Payments. 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 any U.S. withholding imposed on any Dividend Equivalent Payment. The application and interpretation of the rules governing U.S. withholding tax on Dividend Equivalent Payments is subject to change. Non-U.S. holders should consult their tax advisers about possibility of U.S. withholding on payments made on Securities.

*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 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**”), the Issuer 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 Prospectus 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) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or
- (c) 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 (a) to (c) 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 and 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.

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. §1.163-5(c)(2)(i)(C) (the “**C Rules**”). Securities having a maturity of one year or less are not subject to the C Rules.

The Securities subject to the C Rules may not be offered, sold or delivered within the United States, except in certain transactions permitted by U.S. tax 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 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, 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 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 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

The Issuer 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.

## **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 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 General Conditions or Product Conditions of such permanent Global Security, in an aggregate nominal amount or unit quantity equal to the nominal amount or unit quantity of such permanent Global Security submitted for exchange,

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

## **Delivery of Securities**

On or after any due date for exchange the holder of a Global Security may surrender such Global Security or, in the case of a partial exchange, present it for endorsement to or to the order of the Principal Agent. In exchange for any Global Security, or the part thereof to be exchanged, the Issuer will 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 Prospectus, “Definitive Securities” means, in relation to any Global Security the definitive bearer Securities, as applicable, for which such Global Security may be exchanged (if appropriate, having attached to them all Coupons in respect of interest that have not already been paid on the Global Security). Definitive Securities will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form available from the offices of the Issuer.

## **Exchange Date**

“**Exchange Date**” means in relation to a 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 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.

**Clearing and Settlement**

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

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

**Euroclear and Clearstream, Luxembourg**

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

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

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

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

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

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

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

## **PART A: IN RELATION TO RBS N.V.**

### **Authorisation**

All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer under the laws of The Netherlands have been given for the issue of the Securities.

### **Listing**

The Securities have not been listed on any exchange and it is not intended to apply for admission to trading on any exchange or regulated market.

### **Ratings**

The Securities have not been rated by any credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 on credit rating agencies (the “**CRA Regulation**”).

### **Independent Commission on Banking**

On 16 June 2010, HM Treasury published the terms of reference for the UK Government’s Independent Commission on Banking (“**ICB**”). The ICB was mandated to formulate policy recommendations with a view to: (i) reducing systemic risk in the banking sector, exploring the risk posed by banks of different size, scale and function; (ii) mitigating moral hazard in the banking system; (iii) reducing the likelihood and impact of a bank’s failure; and (iv) promoting competition in retail and investment banking with a view to ensuring that the needs of banks’ customers are served efficiently and considering the extent to which large banks can gain competitive advantage from being perceived as “too big to fail”.

Following an interim report published on 11 April 2011, the ICB published its final report to the Cabinet Committee on Banking Reform on 12 September 2011 (the “**Final Report**”). The Final Report makes a number of recommendations, including in relation to (i) the implementation of a ring-fence of retail banking operations, (ii) loss-absorbency (including bail-in) and (iii) competition. The ICB has recommended 2019 as the final deadline for the implementation of its recommendations. The RBSG Group will continue to participate in the debate and to consult with the UK Government on the implementation of the recommendations set out in the Final Report, the effects of which could have a negative impact on the RBSG Group’s consolidated net assets, operating results or cash flows in any particular period.



## **Proposed Transfers**

On 19 April 2011, the Boards of RBSG, RBS, RBS Holdings and RBS N.V. announced that they had approved the proposed transfers of a substantial part of the business activities of RBS N.V. to RBS (the “**Proposed Transfers**”), subject, amongst other matters, to regulatory and other approvals, further tax and other analysis in respect of the assets and liabilities to be transferred and employee consultation procedures.

It was also announced that it was expected that the Proposed Transfers would be implemented on a phased basis over a period ending 31 December 2013 and that a large part of the Proposed Transfers (including the transfers of certain securities issued by RBS N.V.) was expected to have taken place by the end of 2012. Where available and practicable, statutory transfer schemes will be used to implement the Proposed Transfers. Subject to internal approvals, it is expected that these will include a banking business transfer scheme in respect of eligible business carried on by RBS N.V. pursuant to Part VII of the UK Financial Services and Markets Act 2000 (the “**Part VII Scheme**”). Implementation of the Part VII Scheme will be subject (amongst other matters) to court and regulatory approval. In due course, it is expected that details will be announced of the RBS N.V. securities in respect of which RBS is expected to become the issuer as a result of the Part VII Scheme. In advance of that, certain disclosure relating to RBS has been incorporated by reference in this Prospectus.

On 21 July 2011, RBS and RBS N.V. announced details of the RBS N.V. securities in respect of which RBS is expected to become the issuer as a result of the Part VII Scheme. It has been indicated that RBS is expected to become the issuer of the Securities described in this Prospectus as a result of the Part VII Scheme (subject to the relevant Securities not having been exercised, redeemed or repurchased and cancelled prior to the implementation of the Part VII Scheme). Investors should not place any reliance on such indication when making an investment decision or for any other purpose, and investors should be aware that changes to the proposals for the Proposed Transfers (including, without limitation, to the identity of the securities in respect of which RBS may become the issuer, the eventual manner in which the change of issuer is proposed to be effected, to the timing for such change or any other details of the Part VII Scheme) may be made if required, or if determined by RBS N.V. or RBS (in their absolute discretion) to be desirable for commercial or other reasons. Accordingly, nothing in this Prospectus should be taken as (or is) a representation that RBS will become, or RBS N.V. will remain, the issuer of the Securities, whether in the manner described in this Prospectus, in accordance with the timing set out in this Prospectus, or at all. If prospective purchasers are in any doubt as to whether there is any tax or other impact on them as a result of the Proposed Transfers (including the Part VII Scheme), they should discuss such matters with their advisers.

On 22 July 2011, RBS and RBS N.V. announced that they presented a petition to the Court of Session in Scotland (the Court) on 21 July 2011 for an order under Part VII of the UK Financial Services and Markets Act 2000 to sanction the Part VII Scheme. Subject to regulatory approval and provided the Court makes an order sanctioning the Part VII Scheme, it is expected that the Part VII Scheme will become effective on 17

October 2011 or such other date as RBS and RBS N.V. may agree in writing. The boards of RBS and RBS N.V. also announced on 22 July 2011 (i) the proposed amendments to be made to the terms of securities in respect of which RBS is expected to become the issuer as a result of the Part VII Scheme (the Part VII Securities) and to agreements RBS N.V. has entered into related to such securities in order to give effect to the Part VII Scheme and, amongst other matters, to mitigate certain potential adverse effects on holders of securities of RBS N.V. and (ii) certain restrictions which are proposed to be placed on RBS in relation to the Part VII Securities. For further information see the press release entitled “Details of Part VII Scheme – Securities issued by, and guarantees granted by, RBS N.V.” published by the Issuer on 22 July 2011 which shall be incorporated into, and form part of, this Prospectus (see *Documents Incorporated by Reference*).

On 23 September 2011, RBS and RBS N.V. announced that the Court of Session in Scotland had pronounced an order under Part VII of the UK Financial Services and Markets Act 2000 sanctioning the implementation of a banking business transfer scheme whereby the Securities (amongst others) would be transferred to The Royal Bank of Scotland plc pursuant to the Part VII Scheme. The Part VII Scheme is expected to take effect on 17 October 2011.

#### **Guarantee**

RBS Holdings owns 100 per cent. of RBS N.V.’s shares and is jointly and severally liable for all liabilities in respect of the Securities pursuant to a declaration under Article 2:403 of the Dutch Civil Code, which liability of RBS Holdings in relation to any Securities that are transferred as a result of the Part VII Scheme will not be affected by such transfer (to the extent RBS Holdings would, but for such transfer, have otherwise been liable for the same).

#### **Documents Available**

During the validity of this 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 RBS Holdings in respect of the financial years ended 31 December 2009 and 31 December 2010 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 Prospectus; and
- (f) all documents incorporated herein by reference.

#### **Clearing and settlement systems**

The Securities have been accepted for clearance through Clearstream Banking AG (its address being Neue Börsenstrasse 1, 60487 Frankfurt am Main, Germany), Euroclear Bank SA (its address being 1 Boulevard du Roi Albert II, B-1210 Brussels) and Clearstream Banking SA, Luxembourg (its address being 42 Avenue JF Kennedy, L-1855 Luxembourg). The International Securities Identification Number (ISIN) is NL0000211449 and the WKN is ABN0C5. 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**

100,000 Securities have been issued on 27 February 2004 at an issue price of EUR 1,000 per Security and the number of Securities has been increased to 189,000 on 17 February 2006. The Securities have been offered on a private placement basis prior to the date of the Prospectus. It is now intended to offer them to the public in Germany and Austria.

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

Applications for Securities may be made by a prospective purchaser through any 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.

The Issuer intends (but is not obliged) to offer and repurchase the Securities on the secondary market on each Business Day, subject to normal market conditions and the Minimum Trading Size. Any transaction will be based on the Strategy Value as of the next Business Day, provided that RBS N.V., London branch receives the order from the Selling Agent by 5pm (London time) on any Business Day. The Securities will be offered on a continuous basis until such time as the Issuer, in its sole and absolute discretion, decides to discontinue the offer.

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 of the Securities is subject to the Conditions as set out in this Prospectus and any document incorporated by reference (see *Documents Incorporated by Reference*).

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

Investors are required to purchase a minimum of one (1) Security and thereafter in multiples of one (1) Security. There is no maximum purchase amount.

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

The Issuer has issued all of the Securities that are the subject of the offer on the Issue Date or on the effective date of the increase (17 February 2006). 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.

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

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

**(g) Expenses and Taxes**

Any expenses are described in the Product Conditions and will be deducted accordingly. For further information on taxes, please refer to the section titled "Taxation".

**(h) Post-issuance Information**

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

**(i) Information on the Underlying**

Information about the past performance of the Underlying can be obtained and on [www.rbs.de/markets](http://www.rbs.de/markets) for investors in Germany and [www.rbsbank.at/markets](http://www.rbsbank.at/markets) for investors in Austria.

**(j) 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.

**PART B: IN RELATION TO RBS**

**Ratings**

Standard & Poor's is expected to rate: senior notes issued by RBS with a maturity of one year or more "A+"; senior notes issued by RBS with a maturity of less than one year "A-1"; dated subordinated notes issued by RBS "BBB+"; and undated tier 2 notes issued by RBS "BB+". Fitch is expected to rate: senior notes issued by RBS with a maturity of one year or more "AA-"; senior notes issued by RBS with a maturity of less than one year "F1+"; and dated subordinated notes and undated tier 2 notes issued by RBS will be rated on a case-by-case basis. Moody's is expected to rate: senior notes issued by RBS with a maturity of one year or more "Aa3"; senior notes issued by RBS with a maturity of less than one year "P-1"; and dated subordinated notes and undated tier 2 notes issued by RBS will be rated on a case-by-case basis.

See pages 1 and 2 of the RBS Registration Document, which is incorporated by reference into this Prospectus, for an explanation of the credit ratings referred to above.

The credit ratings included or referred to in this Prospectus (to the extent they relate to this Part B) will be treated for the purposes of the CRA Regulation as having been issued by Standard & Poor's, Fitch and Moody's upon registration pursuant to the CRA Regulation. Each of Standard & Poor's, Fitch and Moody's are established in the European Union and has applied to be registered under the CRA Regulation, although the result of such applications has not yet been determined.

## **Recent Developments**

### *Material Contracts*

The RBS Group is party to various contracts in the ordinary course of business. Material contracts are described on pages 399 to 404 of the 2010 annual report and accounts of RBSG which was published by RBSG on 17 March 2011.

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

There has been no significant change in the financial position of the RBS Group taken as a whole since 30 June 2011 (the end of the last financial period for which either audited financial information or interim financial information has been published).

Save in relation to matters referred to on page 22 of the RBS Interim Results 2011, relating to Payment Protection Insurance, which the RBS Group has made provisions for therein, there has been no material adverse change in the prospects of the RBS Group taken as a whole since 31 December 2010 (the last date to which the latest audited published financial information of the RBS Group was prepared).

### *Assets, Owners' Equity and Capital Ratios*

The RBS Group had total assets of £1,307.3 billion and owners' equity of £57.0 billion as at 31 December 2010. As at 31 December 2010, the RBS Group's capital ratios were a total capital ratio of 13.6 per cent., a Core Tier 1 capital ratio of 8.4 per cent. and a Tier 1 capital ratio of 10.1 per cent.

### *Large Exposure Regime*

On 1 July 2011, RBS will become subject to changes to the Financial Services Authority's large exposure regime. Under the changes to the large exposure regime, any company which is less than 100 per cent. owned by RBSG will be classified as a Connected Counterparty. RBS N.V., which is currently approximately 98 per cent. indirectly owned by RBSG, will therefore be classified as a Connected Counterparty, which will result in a breach by RBS of the amended rules under the large exposure regime described above.

The Proposed Transfers (as described above) are, subject to certain conditions, expected to be implemented on a phased basis over a period ending 31 December 2013. Those Proposed Transfers will also form the basis of a remediation plan which has been agreed with the Financial Services Authority to enable RBS over time to become compliant with the changes to the large exposure regime.

RBS does not expect this to have a material adverse effect on the RBSG Group.

### *Litigation*

On 2 September 2011, the US Federal Housing Finance Agency ("**FHFA**") as conservator for the Federal National Mortgage Association ("**Fannie Mae**") and the Federal Home Loan Mortgage Company ("**Freddie Mac**") filed 17 lawsuits in the United States against a number of international banks and individual defendants, including RBSG, certain other Group companies and five individual officers and directors of the Group's subsidiaries. The lawsuits involve allegations that certain disclosures made by the defendants in connection with the relevant offering or underwriting of securities contained materially false or misleading statements and/or omissions regarding the underwriting standards pursuant to which the mortgage loans underlying the securities were issued. Group entities are named as defendants in their capacities as issuers and underwriters of securities, not as originators of any underlying mortgage loans. Although its claims against the Group are currently unquantified, the plaintiff refers to Fannie Mae's and Freddie Mac's losses on securities with original face values of over US\$30 billion.

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#### IMPORTANT NOTICE – RENAMING OF THE ISSUER AND STRATEGY SPONSOR

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On 6 February 2010 **ABN AMRO Bank N.V.** (registered with the Dutch Chamber of Commerce under number 33002587) changed its name to **The Royal Bank of Scotland N.V.** and on 1 April 2010 **ABN AMRO Holding N.V.** changed its name to **RBS Holdings N.V.** and all references in the General Conditions and Product Conditions following hereafter to "ABN AMRO Bank N.V." have been amended to "**The Royal Bank of Scotland N.V. (formerly named ABN AMRO Bank N.V.)**" and all references to "ABN AMRO Holding N.V." have been changed to "**RBS Holdings N.V. (formerly named ABN AMRO Holding N.V.)**".

These name changes are not changes to either the legal entity which issued the Securities or the guarantor of them and they do not affect any of the terms and conditions of the Securities.

Since 6 February 2010 the name ABN AMRO Bank N.V. has been used by a separate legal entity (registered with the Dutch Chamber of Commerce under number 34334259), this entity became wholly owned by the State of the Netherlands on 1 April 2010. Neither the new entity named ABN AMRO Bank N.V. nor the State of the Netherlands will, in any way, guarantee or otherwise support the obligations under the Securities, issued by The Royal Bank of Scotland N.V. (formerly named ABN AMRO Bank N.V.), registered with the Dutch Chamber of Commerce under number 33002587.

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## GENERAL CONDITIONS

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*The General Conditions which follow relate to the Securities and must be read in conjunction with, and are subject to, the Product Conditions (whether or not attached to this document). The Product Conditions and the General Conditions together constitute the Conditions of the Securities and will be printed on the Definitive Securities or attached to the 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.

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

The Issuer shall have the right to terminate the Securities if it shall have determined in its absolute discretion that for reasons beyond its control its performance thereunder shall have become unlawful in whole or in part as a result of compliance in good faith by the Issuer with any applicable present or future law, rule, regulation, judgement, order or directive of any governmental, administrative, legislative or judicial authority or power (“**Applicable Law**”);

In such circumstances the Issuer will, however, if and to the extent permitted by the Applicable Law, pay to each Holder in respect of each Security held by such Holder an amount 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. 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) **Validity.** Unless otherwise specified in an Offering Supplement, announcements to Holders will be valid if delivered to the Clearing Agent(s).
- (b) **Delivery.** Any such announcement issued pursuant to General Condition 4(a) shall be deemed to be effective on the day following its delivery to the Clearing Agent (and if delivered to more than one Clearing Agent on the date first delivered to a Clearing Agent)



or, if published as specified in the relevant Offering Supplement on the date of such publication (and if published in more than one country then on the date first published).

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) if it determines that a Hedging Disruption Event has occurred.
- (b) Hedging Disruption Event. A “Hedging Disruption Event” shall occur if the Issuer determines that it is or has become not reasonably practicable or it has otherwise become undesirable, for any reason, for the Issuer wholly or partially to establish, re-establish, substitute or maintain a relevant hedging transaction (a “Relevant Hedging Transaction”) it deems necessary or desirable to hedge the Issuer's obligations in respect of the Securities. The reasons for such determination by the Issuer may include, but are not limited to, the following:
  - (i) any material illiquidity in the market for the relevant instruments (the “**Disrupted Instrument**”) which from time to time are included in the reference asset to which the Securities relate; or
  - (ii) a change in any applicable law (including, without limitation, any tax law) or the promulgation of, or change in, the interpretation of any court, tribunal or regulatory authority with competent jurisdiction of any applicable law (including any action taken by a taxing authority); or
  - (iii) a material decline in the creditworthiness of a party with whom the Issuer has entered into any such Relevant Hedging Transaction; or
  - (iv) 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.
- (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. 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 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.

6. PURCHASES, FURTHER ISSUES BY THE ISSUER AND PRESCRIPTION

- (a) Purchases. The Issuer or any Affiliate may, except under certain circumstances, purchase Securities at any price in the open market or by tender or private treaty. Any Securities so purchased may be held, 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.

In this General Condition 6(a) “**Affiliate**” means any entity controlled directly or indirectly, by the Issuer, any entity that controls, directly or indirectly, the Issuer, or any entity under common control with the Issuer. As used herein “**control**” means the ownership of a majority of the voting power of the entity or, as the case may be, such person and “**controlled by**” and “**controls**” shall be construed accordingly.

- (b) 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. Any determination made by the Issuer shall (save in the case of manifest error) be final, conclusive and binding on the Holders.
- (b) Modifications. The Issuer may without the consent of the Holders or any of them, modify any provision of the Conditions which is (1) of a formal, minor or technical nature, (2) made to correct a manifest error, or (3) 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 principal obligor under the Securities any company (the “**Substitute**”), being any subsidiary or affiliate of the Issuer, subject to: (1) the obligation of the Substitute under the Securities being guaranteed by RBS Holdings N.V. (formerly named ABN AMRO Holding N.V.) (“**Holding**”) (unless Holding is the Substitute); (2) 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; and (3) 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. 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 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. Each Holder shall indemnify the Issuer against any loss, cost or other liability whatsoever sustained or incurred by the Issuer in respect of any such tax, duty, charge, withholding or other payment as referred to above in respect of the Securities of such Holder.

10. REPLACEMENT OF SECURITIES AND COUPONS

If any Security or Coupon is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Agent (or such other place of which notice shall have be given to Holders in accordance with General Condition 4) upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Securities and Coupons must be surrendered before replacements will be issued.

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:

- (1) 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, whether as from 1999 or after such date, 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;
- (2) where the Conditions contain a rate of exchange or any of the Conditions are expressed in a currency (the “**Original Currency**”) of a country which is participating in the third stage of European Economic and Monetary Union pursuant to the Treaty, whether as from 1999 or after such date, 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

- (3) 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, if the currency is that of a country not initially participating in the third stage of European Economic and Monetary Union pursuant to the Treaty, on or after such later date as such country does so participate;

“**Established Rate**” means the rate for the conversion of the Original 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 the first sentence of Article 123(4), formerly 109 L (4) 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 start of the third stage of European Economic and Monetary Union pursuant to the Treaty or, in connection with the expansion of such third stage, to any country which has not initially participated in such third stage; and

“**Treaty**” means the treaty establishing the European Community.

## 12. AGENTS

- (a) **Principal Agent and Agents.** The Issuer reserves the right at any time to vary or terminate the appointment of any agent (the “**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 shall undertake the duties of calculation agent (the “**Calculation Agent**” which expression shall include any successor Calculation Agent) 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 (except where it is the Issuer) 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. Where the Issuer acts in the capacity of the Calculation Agent it does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Holders. In any event, 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 (except where it is the Issuer) may, with the consent of the Issuer, delegate any of its obligations and functions to a third party as it deems appropriate. Where the Calculation Agent is the Issuer it may 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.

14. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any person under the 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. RULES AND REGULATIONS OF THE OFFICIAL MARKET OF EURONEXT AMSTERDAM N.V.'S STOCK MARKET (*FONDSSENREGLEMENT VAN DE VERENIGING VOOR DE EFFECTENHANDEL*)

The Issuer undertakes to comply, so long as the Securities are listed on the Official Segment of the Stock Market of Euronext Amsterdam N.V., with the provisions (so far as applicable) of Schedule B, Article 2.1.20 (Sections B to G inclusive) of the Listing Rules (*Fondsenreglement*) of Euronext Amsterdam N.V. as in force at the date of issue of the Securities.

*The Product Conditions which follow relate to the Securities and must be read in conjunction with, and are subject to, the General Conditions (whether or not attached to this document). The Product Conditions and the General Conditions together constitute the Conditions of the Securities and will be printed on the Definitive Securities or attached to the Global Security representing the Securities.*

## **1. DEFINITIONS**

**“Agent”** means The Royal Bank of Scotland N.V. (formerly named ABN AMRO Bank N.V.) (acting through its London branch), 250 Bishopsgate, London EC2M 4AA as principal agent (the **“Principal Agent”**) and The Royal Bank of Scotland N.V. (formerly named ABN AMRO Bank N.V.) Niederlassung Deutschland, Abteilung Strukturierte Aktienprodukte, Theodor-Heuss-Allee 80, 60486 Frankfurt am Main, Germany, each acting through its specified office and together the **“Agents”** and shall include any other Agent appointed pursuant to the provisions of General Condition 12;

**“Business Day”** means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in Frankfurt and London and a day on which each Clearing Agent is open for business;

**“Cash Amount”** means an amount determined by the Calculation Agent in accordance with the following formula, less Expenses:

- (i) following Exercise, the Final Strategy Value multiplied by the Entitlement;
- (ii) following an Issuer Call, the Final Strategy Value multiplied by the Entitlement; or

The above amount shall be converted into the Settlement Currency at the prevailing Exchange Rate, if so specified. The aggregate Cash Amount payable to a Holder shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

**“Clearing Agent”** means Clearstream Banking AG, Euroclear Bank S.A. and/or Clearstream Banking S.A. 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”**);

**“Entitlement”** means 1;

**“Exercise”** means the Holder’s rights to exercise the Securities it holds, in accordance with Product Condition 3;



**“Exercise Date”** means, unless an Issuer Call has occurred, the third Business Day preceding the Scheduled Valuation Date;

**“Exercise Time”** means 5.00 p.m. (local time in Frankfurt am Main, Germany);

**“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 Strategy Value”** means, subject to adjustment in accordance with Product Condition 4, the Strategy Value (expressed in Euro) at the Valuation Time on the Valuation Date as determined by or on behalf of the Strategy Sponsor without regard to any subsequently published correction;

**“Form”** means Global;

**“Issue Date”** means 27 February, 2004;

**“Issuer”** means The Royal Bank of Scotland N.V. (formerly named ABN AMRO Bank N.V.) incorporated in The Netherlands with its statutory seat in Amsterdam acting through its London branch at 250 Bishopsgate, London, EC2M 4AA, or such further or other branches as it may specify from time to time;

**“Issuer Call”** means termination of the Securities by the Issuer in accordance with Product Condition 3(b);

**“Issuer Call Commencement Date”** means the first Business Day following the Issue Date;

**“Issuer Call Date”** means the day specified as such in the notice in which the Issuer notifies the Holders, in accordance with General Condition 4, of the Issuer Call and which is at least 12 calendar months following the date of such notification;

**“Issuer Early Termination Amount”** means the fair market value of the Securities at the time the Issuer Early Termination Event has occurred, determined in good faith by the Strategy Sponsor;

**“Issuer Early Termination Event”** means any event such as or similar to a market disruption event or material disruption event and/or more generally, making it impossible or impracticable for the Issuer or the Strategy Advisor to continue the Securities;

**“Market Disruption Event”** means each event specified as such in Product Condition 4;

**“Minimum Trading Size”** means 1 Security;

**“Payment Day”** means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the relevant place of presentation of the Securities; and either (i) if the Settlement Currency is not Euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of such currency (if other than the place of presentation of such Security) or (ii) if the Settlement Currency is Euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open;

**“Securities”** means the cash settled Securities relating to the Bankhaus Jungholz Globalstrategie I and each a **“Security”**;

**“Settlement Currency”** means EUR;

**“Settlement Date”** means fifth Business Day following the Valuation Date;

**“Scheduled Valuation Date”** means the 28<sup>th</sup> of February in each year from and including 28<sup>th</sup> February 2005;

**“Strategy”** means the Bankhaus Jungholz Globalstrategie I, subject to Product Condition 4;

**“Strategy Advisor”** means Bankhaus Jungholz der Raiffeisenbank Reutte reg.Gen.m.b.H., Zweigniederlassung Jungholz, subject to Product Condition 4;

**“Strategy Sponsor”** means The Royal Bank of Scotland N.V. (formerly named ABN AMRO Bank N.V.) and references to Strategy Sponsor shall include any successor Strategy Sponsor pursuant to Product Condition 4;

**“Strategy Value”** means the daily value of the Strategy, expressed in EUR, as published by the Strategy Sponsor;

**“Trading Day”** means, with respect to an Asset, any day on which (or, but for the occurrence of a Market Disruption Event, would have been) the respective fund manager publishes a net asset value for the Fund;

**“Valuation Date”** means in case of an (i) Issuer Call, the Issuer Call Date or (ii) Exercise, the Scheduled Valuation Date or, if such date is not a Trading Day, the first Trading Day thereafter unless, in the determination of the Strategy Sponsor, a Market Disruption Event has occurred on that day, in which case the Valuation Date shall be the first succeeding Trading Day on which the Strategy Sponsor determines that there is no Market Disruption Event, unless the Strategy Sponsor determines that there is a Market Disruption Event occurring on each of the five Trading Days immediately following the original date which (but for the Market Disruption Event) would have been a Valuation Date. In that case (i) the fifth Trading Day shall be deemed to be the Valuation Date (regardless of the Market Disruption Event);

and (ii) the Strategy Sponsor shall determine the Final Strategy Value having regard to the then prevailing market conditions, the last reported Strategy Value and such other factors as the Strategy Sponsor determines to be relevant; and

“**Valuation Time**” means the time with reference to which the Strategy Sponsor calculates the daily Strategy Value (which usually will be the close of business on a Trading Day), or such other time as the Issuer may determine in its absolute discretion and notify to Holders in accordance with General Condition 4.

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

## **2. FORM**

The Securities will be issued in bearer form in the denomination (if any) or in units. If the Form is expressed to be definitive then, the Securities shall be serially numbered and produced on security printed paper in definitive form and shall be transferred by delivery only. Definitives may (as such terms are defined in the Product Conditions) have attached to them Coupons. Only the holder (the “**Holder**”) of a Security shall be recognised by the Issuer and each Agent as the person entitled in all respects thereto. If the Form is expressed to be Global, then the Securities will be represented by a global Security (the “**Global Security**”) which will be deposited with the Clearing Agent 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 Denomination or unit quantity (as the case may be) of the Securities (in which regard any Security or other document issued by the relevant Clearing Agent as to the Denomination or 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 Denomination or 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.

## **3. RIGHTS AND PROCEDURES**

- (a) Exercise. The Securities are only exercisable, by giving notice (in accordance with Product Condition 3(g)), prior to the Exercise Time on each scheduled

Exercise Date, and subject to the Issuer Call and Issuer Early Termination Event, as set out in Product Conditions 3(b) and 3(c) below respectively.

- (b) **Issuer Call.** The Issuer may terminate the Securities, in whole but not in part, with respect to each 28<sup>th</sup> February of a year for the first time at the Issuer Call Commencement Date, by giving Holders at least 12 calendar months notice of its intention to terminate the Securities. Any such notice shall be given in accordance with the provisions of General Condition 4, and shall specify the Issuer Call Date.
- (c) **Issuer Early Termination.** The Issuer may terminate early the Securities, in whole but not in part, at any time if an Issuer Early Termination Event occurs against payment of the Issuer Early Termination Amount. The Issuer will notify the Holders without undue delay of such early termination in accordance with the provisions of General Condition 4. The Issuer will pay the Issuer Early Termination Amount as soon as possible in such manner as shall be notified to the Holder in accordance with General Condition 4.
- (d) **Cash Settlement.** Each Security upon due Exercise or pursuant to an Issuer Call, Issuer Early Termination Event or a Barrier Termination Event, and subject to the delivery by the Holder of a duly completed Notice and to certification as to non-U.S. beneficial ownership, entitles its Holder to receive, from the Issuer on the Settlement Date the Cash Amount.
- (e) **Payment Day.** If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until the next following Payment Day and shall not be entitled to any interest or other payment in respect of such delay.
- (f) **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 the Cash Amount.
- (g) **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. The form of the Notice may be obtained during normal business hours from the specified office of each Agent.

A Notice shall:

- (1) specify the number of Securities being exercised;

- (2) specify the number of the account with the Clearing Agent to be debited with the Securities being exercised;
- (3) irrevocably instruct and authorise the Clearing Agent to debit on or before the Settlement Date such account with such Securities;
- (4) specify the number of the account with the Clearing Agent to be credited with the Cash Amount for such Securities;
- (5) certify that neither the person exercising the Security nor any person on whose behalf the Security is being exercised is a U.S. person or a person within the United States. As used herein, “**U.S. person**” means (i) an individual who is a resident or a citizen of the United States; (ii) 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; (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 United States Commodity Futures Trading Commission’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 United States Securities Act of 1933, as amended, or in regulations adopted under the United States Commodity Exchange Act; and
- (6) authorise the production of such notice in any applicable administrative or legal proceedings.

- (h) **Verification.** In respect of each Notice, the relevant Holder must provide evidence reasonably satisfactory to the Principal Agent of its holding of such Securities.
- (i) **Settlement.** The Issuer shall pay or cause to be paid the Cash Amount 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.
- (j) **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 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 as provided in the Conditions shall be void.

If such Notice is subsequently corrected to the satisfaction of the Principal Agent, it shall be deemed to be a new Notice submitted at the time such correction is delivered to such Clearing Agent and copied to the Principal Agent.

Any Security with respect to which the Notice has not been duly completed and delivered in the manner set out above by the Exercise Time shall become void.

The Principal Agent 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, neither the Issuer nor the Principal Agent shall be liable to any person with respect to any action taken or omitted to be taken by it in connection with such determination or the notification of such determination to a Holder.

- (k) **Delivery of a Notice.** Delivery of a Notice by or on behalf of a Holder shall be irrevocable with respect to the Securities specified and no Notice may be withdrawn after receipt by a Clearing Agent as provided above. After the delivery of a Notice, the Securities which are the subject of such notice may not be transferred.
- (l) **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 neither the Issuer nor any Agent 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. Neither the Issuer nor the Agents shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.

- (m) Interest. The Securities bear no interest and no payments shall be made on account thereof.

#### **4. ADJUSTMENTS**

- (a) Market Disruption. The Strategy Sponsor 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.

- (1) Corporate Events:

- (A) a merger, amalgamation, take-over, change of control or of management of the Fund or of the Fund Manager; and/or

- (B) a disposal of a material part of the assets and/or liabilities or a material change in business of the Fund or of the Fund Manager; and/or

- (C) a material change in the articles of association, memorandum, by-laws, rules, investment rules or guidelines of, the Fund or of the Fund Manager as in force on the Issue Date; and/or

- (D) any event (including, but not limited to, a split in the shares of the Fund (the “Shares”), the creation of one or more categories of Shares, a re-denomination of the Shares, a change in the method of calculation of the NAV, any change in the rights and/or obligations in respect of any Shares) affecting the Shares and which, in the reasonable determination of the Calculation Agent, will or would have an adverse effect on determination or calculation of the Final Reference Price; and/or

- (2) Compliance Events:

- (A) a material breach by the Fund and/or the Fund Manager of their respective articles of association, memorandum, by-laws, rules, investment rules, investment guidelines; and/or
  - (B) withdrawal, suspension, cancellation or modification of any license, consent, permit, authorisation or clearance required for the Fund or the Fund Manager to carry-out their activities as they are or should be carried out for the purpose of the Securities; and/or
  - (C) any litigation, judicial or other action commenced or threatening to be commenced against the Fund or the Fund Manager which, in the reasonable determination of the Calculation Agent, would have an adverse material effect to the Securities or would lead the Issuer or the Calculation Agent to be in breach of their respective obligations under the Securities or make it impossible or impracticable for the Issuer and/or the Calculation Agent to perform their obligations in respect of the Securities; and/or
- (3) Disruption Events:
- the Fund and/or the Fund Manager ceases for any reason whatsoever, to provide or publish the NAV or to make available or calculate the NAV on any Trading Day; and/or
- (4) Illegality Events:
- (A) any change of law, legislation (including tax legislation), regulations which, in the reasonable determination of the Calculation Agent, would make it impossible, impracticable or illegal for the Issuer or the Calculation Agent to perform their respective obligations under the Securities until the Maturity Date or under any Relevant Hedging Transaction; and/or
  - (B) the situation referred to in General Condition 3. Early Termination occurs; and/or
- (5) Solvency Events:
- (A) the Fund or the Fund Manager being declared insolvent, bankrupt, or being wound-up or liquidated, or becoming the subject of a procedure affecting creditors generally, and/or



(B) any demand, petition, resolution or action (whether judicial, regulatory or other) taken against the Fund or the Fund Manager for its liquidation, dissolution or winding-up;

(6) General and other Events:

Any other event, whether similar or not to any of the above: (i) which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities and/or hedge its obligations hereunder and/or carry out any and all transactions in respect of the Fund or the Shares thereof for the purpose of the Securities and/or (ii) where Shares would no longer be denominated in the Settlement Currency and where the Calculation Agent would not be able to make all required conversions (and, if deemed necessary by the Calculation Agent, hedging transactions in respect of any such conversion) in order to express the NAV of the Fund in the Settlement Currency;

(b) Adjustments to Strategy. The Strategy Sponsor 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) or (2) below.

(1) If the Strategy is: (A) not calculated and announced by the Strategy Sponsor but is calculated and published by a successor to the Strategy Sponsor (the “**Successor Calculation Agent**”) acceptable to the Issuer; or (B) replaced by a successor strategy using in the determination of the Strategy Sponsor, the same or a substantially similar formula for and method of calculation as used in the calculation of the Strategy, then (in either case) the Strategy will be deemed to be the strategy so calculated and announced by such Successor Calculation Agent or that successor strategy, as the case may be.

(2) If: (A) on or prior to the Valuation Date the Strategy Sponsor or, if applicable, the Successor Calculation Agent, makes a material change in the formula for or the method of calculating the Strategy or in any other way materially modifies the Strategy (other than a modification prescribed in that formula or method to maintain the Strategy in the event of changes in constituent securities and other routine events); or (B) on the Valuation Date the Strategy Sponsor or, if applicable the Successor Calculation Agent, fails to calculate and publish the

Strategy, then (in either case) the Strategy Sponsor shall determine the Final Strategy Value using, in lieu of a published value of the Strategy on the Valuation Date, the value for the Strategy as determined by the Strategy Sponsor in accordance with the formula for and method of calculating the Strategy last in effect prior to the change of failure, but using only those Reference Assets that comprised the Strategy immediately prior to the change or failure (other than those Reference Assets in respect of which a price has ceased to be published).

- (3) The Strategy Sponsor shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Strategy Sponsor shall make available for inspection by Holders copies of any such determinations.

## **5. GOVERNING LAW**

The Conditions pertaining to the Securities shall be governed by and shall be construed in accordance with English law.

## **6. ADDITIONAL PROVISIONS**

If the Strategy Agent Agreement (the “**Agreement**”) dated as of the Issue Date by and between the Issuer and the Strategy Advisor is terminated or, with the lapse of time or the giving of notice, will be terminated, the Issuer will, 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. Payment will be made to the Holder in such manner as shall be notified to the Holder in accordance with General Condition 4.

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**PRODUCT CONDITIONS: INFORMATION RELATING TO THE UNDERLYING**  
**THE BANKHAUS JUNGHOLZ GLOBALSTRATEGIE I**

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*The Bankhaus Jungholz Globalstrategie I is a proprietary strategy. No use or publication may be made of the Bankhaus Jungholz Globalstrategie I Strategy without the prior written approval of The Royal Bank of Scotland N.V. (formerly named ABN AMRO Bank N.V.) and Bankhaus Jungholz der Raiffeisenbank Reutte reg.Gen.m.b.H., Zweigniederlassung Jungholz. Information supplied in this Offering Supplement in relation to Bankhaus Jungholz der Raiffeisenbank Reutte reg.Gen.m.b.H., Zweigniederlassung Jungholz, including its personnel, is the sole responsibility of Bankhaus Jungholz der Raiffeisenbank Reutte reg.Gen.m.b.H., Zweigniederlassung Jungholz.*

Terms in capitals which are not defined herein shall have the meaning ascribed to them in the Product or General Conditions.

**Bankhaus Jungholz Globalstrategie I**

**1. GENERAL DESCRIPTION**

**(a) Strategy**

The **Bankhaus Jungholz Globalstrategie I Strategy** (the "**Strategy**") is an actively managed variable weight and composition total return strategy, created by Raiffeisenbank Reutte reg.Gen.m.b.H., Zweigniederlassung Jungholz (the "**Strategy Advisor**" or "**Raiffeisenbank Jungholz**"). Pursuant to the Strategy Composition Guidelines (see below section 9) the Strategy Advisor will from time to time select long only positions in certain mutual funds which are approved for distribution and sale in Germany for notional inclusion in the Strategy.

- 2.** The performance objective of the Strategy is to deliver absolute performance through discretionary selection of long equity notional exposures and long only fixed income exposures via the mutual funds and relies on the performance abilities of the Strategy Advisor. The Strategy Advisor's strategy is to seek long term capital growth on the basis of a broad diversification via world-wide investment in mutual funds which are approved for distribution and sale in Germany. The overall capital market risk is kept low, due to a maximum notional allocation in equity mutual funds of 30% of the Strategy Value. The remaining of the overall allocation is invested in fixed income mutual funds and/or money market funds. Subject to the Strategy Composition Guidelines (see section 9 below) and the Strategy Component Eligibility Guidelines (see section 10 below), the Strategy Advisor is not restricted in its selection of equity mutual funds and/or fixed income mutual funds

and/or money market funds and, accordingly, has a wide discretion in its selection of assets for inclusion in the strategy.

The strategy should be similar to a buy and hold investment process in mutual funds. The goal is to outperform, in terms of risk/reward the internal chosen benchmarks which are MSCI World (Return Index) in Euro, iBoxx €Sovereigns Germany, Citigroup World Government Bond Index non Euro and 3-months money in the Euro countries.

#### **(b) Strategy Management**

The Royal Bank of Scotland N.V. (formerly named ABN AMRO Bank N.V.) as Issuer acts with regard to the composition of the Strategy on the basis of the advice given by the Strategy Advisor. The Strategy Advisor has, subject to refusals by the Issuer pursuant to the Strategy Composition Guidelines (see below section 9), absolute discretionary authority on how the Issuer shall notionally invest the proceeds of the sale of the Securities in accordance with the investment objective set forth above.

The Strategy will be recalculated on a regular basis. The mutual funds notionally included in the Strategy from time to time are quoted in EUR and other currencies. The Strategy will not hedge any currency risks.

***THE STRATEGY IS A NOTIONAL STRATEGY INVESTMENT AND NO ACTUAL INVESTMENT IN THE ASSETS IS MADE. THERE CAN BE NO ASSURANCE THAT THE STRATEGY WILL ATTAIN THE CERTIFICATES' OBJECTIVE.***

#### **STRATEGY ADVISOR**

Bankhaus Jungholz der Raiffeisenbank Reutte reg.Gen.m.b.H. Zweigniederlassung Jungholz (the “**Strategy Advisor**”), is a branch of Raiffeisenbank Reutte reg.Gen.m.b.H., a co-operative society under Austrian law, registered at the district court of Innsbruck under FN 41584 d, and having its registered office at Untermarkt 3, 6600 Reutte, Austria. Raiffeisenbank Reutte reg.Gen.m.b.H. was founded in 1898 as a bank regulated and supervised by the Austrian National Bank. The registered share capital of Bankhaus Jungholz der Raiffeisenbank Reutte reg.Gen.m.b.H. Zweigniederlassung Jungholz amounts to 1.8 million EUR and is fully paid up. The share capital is widely held. It employs currently 220 people.

### **3. DEFINITIONS**

The following terms used in this Strategy Description are as defined below:

**"Accrued Dividend Position"** means the accrued dividends notionally arising from Strategy Components;

**"Assets"** means Funds;

**"Bond Fund"** means any fund which pursuant to its statutory investment guidelines needs to be invested to at least 50% of its net asset value in bond and bond type products;

**"Business Day"** means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and Frankfurt a day on which each Clearing Agent is open for business;

**"Closing Value of the Strategy"** means the Strategy Value at the close of business on any Business Day;

**"Composition Charges"** means any execution fees, commissions, clearing and custody charges, contract transaction costs or other fees or expenses, that the Strategy Sponsor determines would have applied (including, without limitation any commercial rates of interest over any base rate) if there had been a sale, realisation, disposal, close out or purchase, acquisition or entry into, as applicable, of an Strategy Component, in connection with, as the context requires, (a) the initial composition or any Recomposition (see section 12 below) of the Strategy, (b) removing the relevant Strategy Component from the Strategy, whether following a Disruption Event (as defined in the Product Conditions) or (c) otherwise as provided herein;

**"Equity Fund"** means any fund which pursuant to its statutory investment guidelines needs to be invested to at least 50% of its net asset value in equity securities (including convertible bonds);

**"Hedge Fund"** means any fund which is a hedge fund according to section 113 German Investment Act (Investmentgesetz) and approved for public distribution in Germany;

**"Long Asset Position"** means each notional acquisition of Assets;

**"Price"** means the net asset value on the respective Trading Day;

**"Qualifying Asset"** means any security or financial instrument which complies with the Strategy Component Eligibility Guidelines (see below section 10);

**"Recomposition Price"** means the prevailing net asset value of an Strategy Component at the time of such Strategy Component is notionally added to or removed from the Strategy taking into account any Composition Charges;

**"Trading Day"** with respect to an Asset means any day on which the respective fund manager publishes a net asset value for the Fund;

**"Weighting"** means the quantity of each Strategy Component notionally comprised in the Strategy on the respective Business Day.

#### **4. STRATEGY COMPOSITION**

The Strategy commencement date (the **"Strategy Commencement Date"**) 30 April 2004.

The Strategy will always comprise components (the "**Strategy Components**") chosen by the Strategy Advisor from Qualifying Assets.

The "**Base Value of the Strategy**" will be EUR 1,000. The initial Strategy Components and their respective Weights will be determined by the Strategy Advisor and published in accordance with section 6 "Publication of the Strategy" below. Following the Strategy Commencement Date, the Strategy Advisor may change the notional composition of the Strategy Components (see below section 5 "Recomposition of the Strategy"). The Strategy Advisor will choose the Strategy Components out of the Qualifying Assets.

## **5. RECOMPOSITION OF THE STRATEGY**

Following the initial Strategy Composition, the Strategy Advisor may make such changes as it deems appropriate in its reasonable discretion to the notional composition of the Strategy Components and/or the Weightings of Strategy Components (such changes the "**Recomposition Changes**" and each such procedure a "**Recomposition**") on any Trading Day (each such date a "**Recomposition Date**"), subject to the compliance of the selected Strategy Component with the Strategy Composition Guidelines as set out in section 9. In the event that the Strategy Sponsor determines that a Market Disruption Event (as defined in the Terms and Conditions) has occurred in relation to any actual or prospective Strategy Component on any Recomposition Date, then such actual or prospective Strategy Component shall not be so included or removed, as the case may be, in the relevant Recomposition. Any such changes shall be effected at the Recomposition Price.

## **6. PUBLICATION OF THE STRATEGY**

The Strategy Value will be calculated and published by the Strategy Sponsor once a day on each Business Day on Reuters reference page: RAMCDE. Publication on the website [www.abnamro-sp.com](http://www.abnamro-sp.com) will follow such publication on Reuters by not later than on the opening of the immediately following Business Day. The Strategy Components Weightings and Prices will be published in the before mentioned way in the sole discretion of the Strategy Advisor at least once a month.

## **7. STRATEGY CALCULATION**

The Royal Bank of Scotland N.V. (formerly named ABN AMRO Bank N.V.) acting in its capacity as calculation agent of the Strategy (the "**Strategy Sponsor**") shall determine the value of the Strategy (the "**Strategy Value**") on each Business Day (the "**Calculation Day**") as an amount in EUR calculated in accordance with the following formula:

**Strategy Value =        Aggregated Value of Strategy Components plus  
                                  Value of Cash Account minus  
                                  Residual Fees**

**Whereby:**

**(A) "Aggregated Value of Strategy Components" as of any Business Day means the sum of the values calculated for each notional Strategy Component on such Business Day or, if for any Strategy Component on such Business Day no value is available, the value for such Strategy Component on the Trading Day immediately before the respective Business Day. The value of any Strategy Component is calculated as follows:**

**"MP<sub>1</sub>" =**        the aggregated amount of the products of the Weighting of each Long Asset Position and its Price as published for the Trading Day preceding the Calculation Day, the result of each multiplication, if not expressed in Euro, converted to Euro by using the applicable Exchange Rate and rounded to the next two decimal points in accordance with commercial practice; and

**"MP<sub>2</sub>" =**        the product of the Weighting of any Strategy Component and its Accrued Dividend Position net of applicable withholding taxes at the relevant rate adjusted by application of the UK tax treaty without reference to tax credits, from and including the notional acquisition/opening of such Strategy Component to and excluding the payment date of such interest, if not expressed in Euro, converted to Euro by using the applicable Exchange Rate and rounded to the next two decimal points in accordance with commercial practice.

**(B) "Value of Cash Account" as of any Trading Day means a notional Euro cash account, calculated by summation of the following cash holdings (each a "Cash Holding"):**

- (i) *Notional Opening Value:* On the Strategy Commencement Date, immediately prior to the inclusion of any Components in the Strategy, the Cash Account shall be deemed to be equal to the Base Value of the Strategy;
- (ii) *Dividends:* A credit shall be made to the Cash Account for each dividend notionally received from any Strategy Component, in each case as of the day such dividend would have been paid.
- (iii) *Costs:* Any other theoretical costs associated with establishing, buying, selling and financing any Strategy Component and any Composition Charges relating to any of the Strategy Components shall be debited from the Cash Account on the day(s) the Strategy

Advisor determines such Composition Charges notionally arise. The total Composition Charges should not exceed 20 Euro per each transaction regarding a Strategy Component,

- (iv) *Fees:* A notional amount in Euro in respect of the aggregated Management Fee shall be debited from the Cash Account to the extent the Cash Account remains positive and thereafter shall be applied in the Strategy as a reduction of the Market Positions.

**(C) "Residual Fees"**

To the extent the Cash Account remains positive the aggregated Management Fee (the "**Residual Fees**") are debited to the Cash Account on each Business Day. Thereafter, any residual aggregated fee amount is taken against the Market Positions. The Residual Fees are as set out below.

**8. FEES**

**(A) Management Fee**

The management fee (the "**Management Fee**") shall be applied to the Strategy Value on a daily basis from and including the Strategy Commencement Date. It shall be calculated as the product of the Fee Rate per annum (on the basis of a 365-day year) and the Closing Value of the Strategy on such date.

The "**Fee Rate**" shall be the per annum percentage rate determined by the Strategy Advisor in its sole discretion on each Management Fee Reset Date as being applicable until the occasion upon which it is determined, subject to a maximum of 2 per cent per annum.

"**Management Fee Reset Date**" means the last Business Day of each three-month period from 1 May, 2004.

**9. STRATEGY COMPOSITION GUIDELINES**

These Strategy Composition Guidelines (the "**Strategy Composition Guidelines**" or "**Guidelines**") are intended for use by the Strategy Advisor as the basis for selecting the initial Strategy Components and for maintaining the Strategy within these Guidelines and for effecting Recompositions of the Strategy. However, they are not mandatory rules and are intended to have effect as guidelines only. Recompositions of the Strategy by the Strategy Advisor may be made on any Trading Day but are not required to be made.

The Issuer may, but is not obliged to, refuse to include in the Strategy such Strategy Components selected by the Strategy Advisor for notional inclusion in the Strategy which do not comply with the Strategy Composition Guidelines.



### **(A) Eligible Components**

It is intended that the Strategy Advisor may select only Assets which comply with the relevant eligibility criteria set out under section 10 ("**Strategy Component Eligibility Guidelines**") below.

### **(B) Concentration Limit**

**At the date of selection only** of a Long Asset Position it is intended that exposure (i) to an Equity Fund shall comprise no more than 15% of the Strategy Value at that time; (ii) to a Bond Fund shall comprise no more than 20% of the Strategy Value at that time; and (iii) shall be not more than 20% of the value of the respective Fund. Exposure to a Fund shall be calculated as the sum of all Weightings in Assets issued by such Fund multiplied by the relevant Prices.

### **(C) Fund Allocation**

**At the date of selection only**, not more than 30% of the Strategy Value shall be notionally invested in Equity Funds.

## **10. STRATEGY COMPONENT ELIGIBILITY GUIDELINES**

It is intended that each Fund should conform generally to the guidelines set out below:

- Type:*
- (i) open or closed end fund which shall be approved for public distribution in Germany; and
  - (ii) must not be a Hedge Fund; and
  - (iii) pursuant to its statutory investment guidelines borrowing permitted to cover short term timing differences is limited to 10% of fund NAV.

## **11. CHANGES TO STRATEGY METHODOLOGY; STRATEGY COMPOSITION GUIDELINES AND STRATEGY COMPONENT ELIGIBILITY GUIDELINES**

### **(A) General Right to Modify**

The Strategy Sponsor will determine the initial Strategy Value on the basis of the Strategy as initially composed by the Strategy Advisor in accordance with the Strategy calculation and the methodology described above. While the Strategy Sponsor intends to employ this methodology from the Strategy Commencement Date, no assurance can be given that fiscal, market, regulatory, juridical or financial circumstances will not arise that would, in the view of the Strategy Sponsor, necessitate a modification or change of such methodology. The Strategy Sponsor may also make modifications to the terms of the Strategy to correct any manifest or proven error or to cure, correct or supplement any defective provision contained in this Strategy Description. The Strategy Sponsor will publish notice of any such modification or change in accordance with section 6 "Publication of the Strategy" above.

**(B) Annual Review**

Without limiting the preceding paragraph, the Strategy Advisor will, in any event, review the Strategy Calculation Methodology, Strategy Composition Guidelines and Strategy Component Eligibility Guidelines on each anniversary of the Strategy Commencement Date and shall propose any changes, modification and/or adjustments as it consider necessary or appropriate to maintain the primary objective of the Strategy to the Strategy Sponsor. However, no change, modification and/or adjustment may be made as a consequence thereof with the prior consent of the Strategy Sponsor. In deciding whether or not to provide its consent the Strategy Sponsor shall consider on a best effort basis if the changes, modifications and/or adjustments proposed to the Strategy Composition Guidelines and Strategy Component Eligibility Guidelines are within the primary objective of the Strategy, taking into account any circumstances which the Strategy Sponsor considers would have an affect on its ability to perform its role hereunder and shall publish notice of any such change, modification and/or adjustment in accordance with section 6 "Publication of the Strategy " above.

**12. RECOMPOSITION OF THE STRATEGY**

**(A) General**

Following the initial Strategy Composition, the Strategy Advisor may, make such changes as it deems appropriate in its reasonable discretion to the composition of the Strategy Components and/or the Weightings of Strategy Components (such changes, the "**Recomposition Changes**" and each such procedure, a "**Recomposition**") on any Trading Day (each such date a "**Recomposition Date**"), using its reasonable endeavours to comply with the Strategy Composition Guidelines and Strategy Component Eligibility Guidelines as set out in sections 9 and 10 respectively. In the event that the Strategy Sponsor determines that a Market Disruption Event (as defined in the Terms and Conditions) has occurred in relation to any actual or prospective Strategy Component on any Recomposition Date, then (a) such actual or prospective Strategy Component shall not be so included or removed, as the case may be, in the relevant Recomposition and (b) for the purposes of determining compliance with the Strategy Composition Guidelines in section 9, the Price of each notional Strategy Component affected by a disruption event shall be determined by the Strategy Sponsor as its good faith estimate of the fair market value (which may be zero) of such Strategy Component as of such Recomposition Date.

**(B) Compliance with Strategy Composition Guidelines and Strategy Component Eligibility Guidelines**

It should be noted that from time to time the Strategy might not comply with the Strategy Composition Guidelines and/or the Strategy Component Eligibility Guidelines.

If the Strategy fails to comply with the Strategy Composition Guidelines and/or the Strategy Component Eligibility Guidelines, neither the Strategy Advisor nor the Strategy Sponsor are required to make Recomposition Changes. The Strategy Sponsor will determine in its reasonable discretion whether the Strategy is materially outside the Strategy Composition Guidelines or the Strategy Component Eligibility Guidelines and whether this is of a temporary nature. If the Strategy Sponsor determines that the Strategy is materially outside the Strategy Composition Guidelines or the Strategy Component Eligibility Guidelines and is not temporarily so, the Strategy Sponsor will as soon as reasonably practicable, notify the Strategy Advisor and request that a Recomposition occur. In such case the Strategy Advisor is required to make Recomposition Changes.

**(C) Publication**

Details of the initial Strategy Composition and each Recomposition shall be published by the Strategy Sponsor in accordance with section 6 “Publication of the Strategy” above as soon as reasonably practicable after, in the case of the initial Strategy Composition, the Strategy Commencement Date or, in the case of a Recomposition, the relevant Recomposition Date.

**13. ADJUSTMENT PROVISIONS**

**Strategy Adjustment Provisions (other than by reason of Strategy Advisor selection)**

Adjustments to the Funds:

If the issuer of a Fund is liquidated, dissolved or otherwise ceases to exist is subject to proceedings under any applicable bankruptcy, insolvency or other similar law, then the Strategy Sponsor may: (A) make an appropriate adjustment to any one or more of the Strategy Composition Guidelines or the Strategy Composition to account for such event and determine the effective date of that adjustment (the Strategy Sponsor may, but need not, determine the appropriate adjustment by reference to any adjustment made by an exchange or quotation system on which the relevant Fund is traded or dealt); or (B) value the relevant Fund at its fair market value taking into account such event less the theoretical cost to a holder of such Secondary Security of unwinding any related hedging arrangements with respect to such Secondary Security, all as determined by Strategy Sponsor.

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## ANNEX 1

### TO PRODUCT CONDITIONS: SUMMARY OF TERMINATION PROVISIONS

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#### Summary of Termination Provisions

The following is an excerpt from the Strategy Advisory Agreement between the Issuer and the Strategy Sponsor (also the “**Agreement**”) and for information only. The rights and obligations resulting from these provisions and from the Strategy Advisory Agreement between the Issuer and the Strategy Advisor are those of the parties thereto and no Holder is or will be deemed to be a party to that agreement nor be entitled to exercise such rights or enforce any such obligations or have any beneficial rights in respect of the Strategy Advisory Agreement. The terms and conditions of the Strategy Advisory Agreement shall prevail at all times.

- 11.1 Either party hereto may terminate this Agreement by giving the other party 30 days' prior written notice if the terminating party believes in good faith that material damage or harm is occurring to the reputation or goodwill of that party by reason of the other party's acts or omissions, unless the other party shall correct the condition causing such damage or harm to the satisfaction of the terminating party within such 30-day period.
- 11.2 This Agreement may be terminated, by the non-breaching party, in the event of a breach by the other party of this Agreement, if such breach is not cured within 30 days of the non-breaching party notifying its knowledge of the breach.
- 11.3 The Issuer may terminate this Agreement as it relates to any Securities referenced to the Strategy upon 60 days' (or upon such lesser period of time required pursuant to an order of a court or regulatory authority) prior written notice to the Strategy Advisor if:
  - (a) the Issuer is informed of the adoption of any legislation, regulation, rule or policy or the issuance of any interpretation thereof that, in the Issuer's sole judgement, materially impairs the Issuer's ability to issue, promote or administer any Securities referenced to the Strategy;
  - (b) any material litigation or regulatory proceedings regarding any Securities referenced to the Strategy is threatened or commenced;
  - (c) the Issuer ceases to offer of Securities referenced to the Strategy; or
  - (d) the Securities are terminated, redeemed, repurchased, cancelled or are no longer in force for any reason whatsoever.

- 11.4 The Strategy Advisor may terminate this Agreement as it relates to any Securities referenced to the Strategy upon 60 days' (or upon such lesser period of time required pursuant to an order of a court or regulatory authority) prior written notice to the Issuer if:
- (a) the Strategy Advisor is informed of the adoption of any legislation, regulation, rule or policy or the issuance of any interpretation thereof that, in the Strategy Advisor's sole judgement, materially impairs the Strategy Advisor's ability to provide the information required by this Agreement in connection with the Securities;
  - (b) any litigation or proceeding is threatened or commenced that the Strategy Advisor reasonably believes would have a material adverse effect upon the Trademarks, the Strategy or the Strategy Advisor or upon the ability of the Strategy Advisor to perform its obligations under this Agreement;
  - (c) any material litigation or regulatory proceedings regarding the Securities is threatened or commenced; or
  - (d) the Issuer ceases to offer Securities or all of the Securities are redeemed (whether at maturity or earlier), repurchased, cancelled or otherwise not in force.
- 11.5. The Strategy Advisor recognises that irreparable harm can be occasioned to the Issuer if the Strategy Advisor breaches this Agreement (including the use of the Strategy or any derivative or component thereof in a manner not contemplated by this Agreement or the unauthorised disclosure, reproduction or use of any Confidential Information (as defined below)) and that monetary damages will be inadequate to compensate for such breach. The Strategy Advisor agrees that in the event of any failure by it to comply with the terms of this Agreement, the Issuer shall be entitled to the entry of an injunction or other equitable relief and the Strategy Advisor shall not object to such injunction or equitable relief on the basis of an adequate remedy at law or other reason. This remedy shall be in addition to any other remedies available to the Issuer. Nothing in this Agreement shall limit the right of the Issuer to contest any facts or make any legal argument relating to the existence of any breach or threatened breach of this Agreement.
- 11.6 The Issuer may (but shall not be obliged to) terminate this Agreement at any time in the event that the Strategy Advisor is taken-over or becomes insolvent or if any of the following events occur:
- 11.6.1 the Strategy Advisor is liquidated, wound-up or a petition or a judicial or other order is made or issued for the same; or it becomes the subject of any procedure affecting the rights of creditors in general;
  - 11.6.2 the Strategy Advisor ceases in all or in part its business activities or no longer carries them out as they are carried out on the date hereof, or does no longer have all human,

technical and other necessary resources to perform all its obligation under or in respect of this Agreement or resulting from the Securities; or

11.6.3 withdrawal or non renewal, for any reason whatsoever, of any license, consent, authorisation, approval, clearance required by any and all applicable laws and regulations for the Strategy Advisor to carry out all or part of its business activities as they are carried out on the day hereof and/or to perform all or part of its obligations under or in respect of this Agreement or which result or are implied by the Securities.

11.7 The Issuer may terminate the Securities at any time with a notice period of three month, if by 28th February 2005 and thereafter by a continuous three month period, the total aggregate outstanding principal amount of all Securities linked to the Bankhaus Jungholz Globalstrategie I, Bankhaus Jungholz Globalstrategie II and Bankhaus Jungholz Globalstrategie III sold or otherwise transferred to parties other than the issuer thereof (or any its affiliate or subsidiaries or shareholders or parent company) does not exceed €15 Million.

11.8 Notwithstanding anything to the contrary in this Agreement, the Strategy Advisor agrees that it will not be entitled to terminate this Agreement if the Issuer is not able or in a position, for any reason whatsoever, to terminate the Securities or otherwise terminate or end its obligations under the Securities or end the transaction resulting from the Securities.